

LEGISLATIVE RESEARCH COMMISSION

STUDY
COMMISSION
REPORTS

SCR-157
C.2

STATE INFRASTRUCTURE NEEDS



75201

RECEIVED

JUN 11 1986
INSTITUTE OF GOVERNMENT
UNIVERSITY OF NORTH CAROLINA
LIBRARY

REPORT TO THE 1985 GENERAL ASSEMBLY OF NORTH CAROLINA 1986 SESSION

A LIMITED NUMBER OF COPIES OF THIS REPORT IS AVAILABLE
FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY.

ROOM 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-9390

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



May 28, 1986

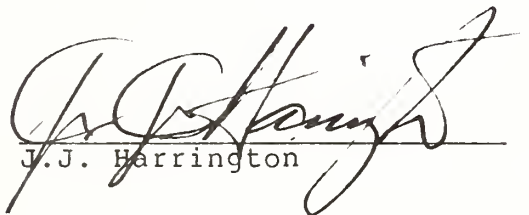
TO THE MEMBERS OF THE 1985 GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1986 session of the 1985 General Assembly on the matter of the State's infrastructure needs. This report is prepared pursuant to G.S. 120-30.17.

This report was prepared by the Legislative Research Commission's Committee on State Infrastructure Needs and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,


Liston B. Ramsey


J.J. Harrington

Cochairmen

Legislative Research Commission

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. COMMITTEE PROCEEDINGS.....	4
III. FINDINGS.....	28
IV. RECOMMENDATIONS.....	35
V. APPENDICES	
(1) Membership of the LRC Committee on State Infrastructure Needs.....	A
(2) Senate Bill 541 (1985 Session).....	B
(3) Lieutenant Governor's Remarks (12/17/85).....	C
(4) Public School Facility Needs.....	D
(5) Estimated 1985-86 Revenues from the One- Half Cents Local Option Sales Tax.....	E
(6) Local School Bond Issues.....	F
(7) Legislative Recommendations of the Transportation Task Force.....	G
(8) Infrastructure Needs of Community Colleges...	H
(9) Summary of Facility Needs of the University of North Carolina.....	I
(10) Proposed Transportation Trust Fund.....	J
(11) Proposed Revolving Loan Fund for Wastewater Treatment, Water Supply, and Solid Waste Management Facilities.....	K



Digitized by the Internet Archive
in 2013

http://archive.org/details/stateinfrastruct00nort_1

LEGISLATIVE RESEARCH COMMISSION

Senator J. J. Harrington, Cochairman
Senator Henson P. Barnes
Senator A. D. Guy
Senator Ollie Harris
Senator Lura Tally
Senator Robert D. Warren

Representative Liston B. Ramsey, Cochairman
Representative Christopher S. Barker, Jr.
Representative John T. Church
Representative Bruce Ethridge
Representative Aaron Fussell
Representative Barney Paul Woodard

I N T R O D U C T I O N

INTRODUCTION

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" [G.S. 120-30.17(1)].

At the direction of the 1985 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The co-chairmen of the Legislative Research Commission, under the authority of General Statute 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Co-chairmen, one from each house of the General Assembly, were designated for each committee.

The study of state infrastructure needs was authorized by section (1).1 of Chapter 790 of the 1985 Session Laws. That act states that the Commission may consider the original bill proposing a study of infrastructure needs, Senate Bill 541 (see Appendix B), in determining the nature, scope, and aspects of the study. However, the scope of Senate Bill 541 does not limit the scope of the study committee, acting pursuant to Chapter 790(1).1.

The Legislative Research Commission grouped this study in its State Government area under the direction of Representative Christopher Barker, Jr. The Committee, whose membership is listed in Appendix A, was chaired by Senator Kenneth Royall, Jr. and Representative Foyle Hightower, Jr.

C O M M I T T E E P R O C E E D I N G S

COMMITTEE PROCEEDINGS

The Committee on State Infrastructure Needs met four times prior to issuing this interim report: December 17, 1985; January 13, 1986; March 25, 1986; and April 22, 1986.

December 17, 1986 Meeting

Lieutenant Governor Robert B. Jordan, III, addressed the Committee on the intended direction and purpose of the Committee. The Lieutenant Governor cited cutbacks in available federal funds and the Gramm-Rudman-Hollings federal deficit reduction legislation as adversely affecting public infrastructure financing in North Carolina. Public infrastructure was very broadly defined as "the public buildings and facilities necessary to serve the citizens of this State." Although the Lieutenant Governor listed, by example, numerous aspects of the public infrastructure, he urged the Committee to give its immediate attention to the need for water and sewer facilities throughout North Carolina's local units. He emphasized the urgent need for strong

state/local partnerships, with the lines of financial responsibility between the two clearly drawn. The Lieutenant Governor's remarks are included in this report at Appendix C.

The Committee also heard both short and long-term economic forecasts for North Carolina and the nation. These forecasts were presented by Mr. Mike Kiltie of the State Office of Budget and Management, and Mr. David Crotts, Mrs. Carla Peterson, and Mr. Tom Covington of the Fiscal Research Division. Mr. Crotts' presentation focused on the economy's impact on the funding of capital construction needs. He noted that the congressional proposal to eliminate the tax-exempt status of state and local bonds would substantially increase the cost of issuing state and local debt. He also noted the cut in federal E.P.A. funds and the depletion of state Clean Water Bond funds for the construction and expansion of wastewater treatment facilities by local governments.

January 13, 1986 Meeting

The Committee began assessing the needs of various pieces of the State's infrastructure. Dr. Craig Phillips, State Superintendent of Public Instruction, outlined the needs for public school facilities in the State; Mr. Thomas Rhodes, Secretary of Natural Resources and Community Development, spoke on water and sewer facility needs; and Mr. James Harrington, Secretary of the Department of Transportation, presented the highway needs of North Carolina.

Dr. Phillips presented a study on the facility needs of North Carolina's public elementary and secondary schools. He first briefed the Committee on the history of state and local funding for public school facilities. Local governments have assumed the chief responsibility for funding school buildings. Dr. Phillips noted, however, that the State has historically provided some capital funding through the following statewide bond issues:

<u>Year</u>	<u>Amount</u>
1949	\$ 25 million
1953	50 million
1963	100 million
1973	300 million

The first major survey of school facility needs, conducted in 1979, determined that there was \$1.6 billion in school facility needs at that time. In 1980, a legislative study committee recommended another statewide bond issue of at least \$600 million to finance school buildings. Although bills to implement this recommendation were introduced during the 1981 legislative session, they failed to pass.

The Governor's Task Force on School Facilities found school facility needs in excess of \$2.4 billion in 1982. An infrastructure study conducted by the Department of Natural Resources and Community Development one year later estimated school facility needs through the year 2000 at \$5.8 billion, of which \$2.1 billion represented the current backlog of needs at the time of the survey.

Dr. Phillips then discussed the most recent school facility needs survey, begun in November, 1984. This survey, based on updated information from the local school boards, produced an estimated \$2.2 billion in current school facility needs. This figure includes the facilities component required by the Basic Education Program.

Dr. Phillips discussed Senate Bill 431 and House Bill 764, companion bills introduced during the 1985 session. The bills

propose an one-half (1/2) cents increase in the state sales tax, the proceeds of which are to be placed in a public school capital construction fund. At the time of this report, Senate Bill 431 provided for distribution of the funds to the counties on an average daily membership (i.e., "per pupil") basis and House Bill 764 provided for distribution on a per capita basis. The tax increase would generate an estimated additional \$160 million annually for public school construction.

Dr. Phillips also noted the increase in local bond issues for public school construction since the enactment of the Supplemental Local Government Sales and Use Tax Act of 1983. The proceeds of this local option one-half cents sales tax are required to be expended as follows: during the first five fiscal years of the tax, at least forty percent (40%) of the proceeds must be used for public school capital construction costs, and during the second five fiscal years, thirty percent (30%) of the proceeds must be so used. Dr. Phillips pointed out that the availability and use of this tax has stimulated local bond issues for school construction. Since the enactment of the tax, fourteen of twenty local school bond issues have been approved by the voters as of April 2, 1986.

However, according to Dr. Phillips, use of the local option tax alone in meeting the \$2.2 billion in facility needs would take

seventeen years. Dr. Phillips noted that these needs could be met in approximately seven and one-half years with the following funds: \$160 million annually from the proposed Public School Capital Construction Fund, \$60 million annually from the local option one-half cents sales tax, and \$80 million annually from local sources.

He also distributed and explained a document comparing capital appropriations from the General Fund for public schools to capital appropriations for other state agencies. Except for a \$165,000 appropriation for experimental energy projects in 1979, there have been no capital appropriations for public schools during the time period covered by the distributed chart (1973-1986). However, Dr. Phillips did note that the chart did not reflect the debt service appropriations for previous statewide bonds issued for public school capital expenditures.

Secretary Thomas Rhodes spoke to the Committee about water and sewer facility financing. He outlined for the Committee the history of water/sewer financing. Prior to the 1970's, local governments were responsible for financing water and sewer facilities; however, the environmental standards governing water quality and wastewater treatment at that time were not as

stringent as today. In the early 1970's, the federal government imposed more stringent water quality standards on the local units. Recognizing the burden it was placing upon the local governments, the federal government provided funding for up to seventy-five percent (75%) of the cost of a water or sewer project. At the same time, the State decided to finance one-half of the nonfederal share of the project. The State issued Clean Water Bonds in 1972 and 1977 to meet its share. Thus, the local governments were receiving eighty-seven and one-half percent (87.5%) of their funding from federal and state sources and became accustomed to paying only thirteen and one-half percent (13.5%) of the cost of the project from their own resources.

Within the last two years, however, two things have happened to change this federal/state/local financing arrangement. First, the state monies available under the Clean Water Bonds have been exhausted. Second, the federal government has decided to reduce its funding of projects from seventy-five percent (75%) to fifty-five percent (55%).

In addition, Secretary Rhodes stated that he believed Congress might further reduce the amount of funds available for the federal share and eventually eliminate the grants program

altogether in favor of a revolving loan fund. Secretary Rhodes estimated that current water and sewer facility needs were approximately \$1 billion, based on a 1984 estimate.

The Secretary then addressed the 1985 legislation that provides \$120 million during fiscal years 1985-86 and 1986-87 to meet a portion of the costs of financing water and sewer facilities. The money is distributed on a per capita basis, and the Secretary pointed out two problems he saw with this type of distribution. First, he stated that per capita distribution gives money to local units that are not on the federally-approved system and who cannot therefore use the money as a match. Second, he argued that per capita distribution gives more money to larger communities, which have alternative sources of funding, and less money to smaller communities, which often lack alternative sources of funds.

Senator Royall, cochairman of the Committee, noted that any city that does not adopt, by April 1, 1986, a resolution to proceed with a water and sewer project would forfeit its share of the money to the county. He also noted that if any city, county or other governmental unit has not, by December 1, 1986, committed a portion of its allocation to a project, the money would no longer be available to that unit.

Secretary Rhodes recommended that the State create a revolving loan fund, to be funded with the \$60 million per year currently dedicated to water and sewer financing plus additional revenues, if available. He recommended that the General Assembly continue appropriating \$60 million annually until the fund becomes self-sufficient from repayments by the local units of the low or no interest loans to be made from the fund. He also recommended that part of the funds in the revolving loan fund be set aside for grants for high-cost projects. The Secretary felt that units can absorb much of the costs by increasing user rates. However, he added that it was not feasible for a unit to raise rates high enough to meet the costs of certain high-cost facilities.

Secretary Rhodes also recommended diverting some of the money currently set aside for water supply to pay for solid waste disposal facilities (landfills).

Secretary Harrington outlined for the Committee the effect of North Carolina's population growth on highway use and highway needs. During the twelve-year period from 1973 through 1984, the number of licensed drivers in North Carolina increased from 3.1 million to 4 million while the number of vehicle-miles on the State's highways increased from 35.8 billion miles to 48.1 billion

miles. The Secretary identified both the current backlog and the projected needs (in billions of dollars) through the year 2000 for North Carolina's highways as follows:

	<u>Backlog</u>	<u>Thru 2000</u>
Rural Primary Capacity	\$2.24 b	\$2.18 b
Urban Thoroughfare Capacity	3.05 b	2.59 b
Bridges	1.58 b	1.52 b
Secondary Roads	.99 b	.67 b
Widening on Primary System	<u>2.26 b</u>	<u>---</u>
	\$10.13 b	\$6.96 b

Secretary Harrington stated that \$5 billion would be available to meet the estimated \$17 billion in needs, leaving a construction shortfall through the year 2000 in excess of \$12 billion. The Secretary also identified the following maintenance needs of the Department through the year 2000:

Road/Bridge Maintenance	\$3.23 billion
Contract Resurfacing	<u>1.44</u> billion
Total	4.67 billion

Of the \$4.67 billion in road and bridge maintenance and contract resurfacing needs, the Secretary estimated that \$4.07 would be available to meet these needs, leaving a shortfall of \$600 million.

March 25, 1986 meeting

The Committee heard presentations from Mr. James Harrington, Secretary of the Department of Transportation; Mr. Ray DeBruhl, Director of the State Building Division; and Mr. Doug Carter of the Fiscal Research Division of the General Assembly.

Secretary Harrington addressed the Committee on non-revenue alternatives designed to reduce the need for additional highway funds by controlling right-of-way costs and by reducing the need for additional highway facilities. The alternatives discussed by Secretary Harrington originated with the Transportation Task Force (formerly the Urban Transportation Task Force). Secretary Harrington provided copies of the report to the Committee members and highlighted the non-revenue alternatives considered by the Task Force.

These alternatives encompassed the following recommendations:

- (a) Coordination of thoroughfare planning efforts with subdivision and zoning regulations of local governments;
- (b) Allowing cities and counties to apply building setback line regulations to buildings and permanent facilities;

- (c) Expanding the driveway permit process to condition the issuance of the permits on the adequacy of existing roadway facilities;
- (d) Creation of an official map act with statewide application to reserve roadway corridors for up to three years;
- (e) Transfer of development rights by cities and counties;
- (f) Charging of fees in lieu of subdivision improvements;
- (g) Requiring local governments to consent to the withdrawal of a right-of-way dedication not accepted within fifteen years; and
- (h) Allowing early condemnation of land consistent with a long-range plan.

A more detailed discussion of these recommendations is found in Appendix G.

Secretary Harrington distributed copies of draft legislation authorizing cities and counties to participate in right-of-way acquisition and highway construction outside municipal boundaries. He also distributed draft legislation that would increase the state motor fuel, special and road taxes by whatever amount, if any, that the federal motor fuel tax decreases.

Mr. DeBruhl spoke briefly to the Committee about the repair and renovation of state-owned buildings. Mr. DeBruhl stressed the need for the public sector to maintain its facilities in excellent shape, as the private sector has.

The State of North Carolina currently owns more than 10,900 buildings, consisting of over 71 million square feet. Mr. DeBruhl estimated the current replacement value of these buildings at five billion dollars (\$5 billion), excluding land and utility systems. He also estimated that it would cost the State about \$500 million to complete renovations and repairs to state-owned buildings sufficient to bring them up to current standards and efficient operating conditions. He based this estimate on the assumption that the current backlog of maintenance and repair needs equals ten percent of the replacement value of the buildings. Mr. DeBruhl stated that the Committee might wish to consider the following issues concerning infrastructure:

(a) Establishment of a statewide, coordinated and comprehensive capital facilities planning and budgeting program which incorporates the long-range plans and priorities for facility needs for all state agencies;

(b) Establishment of a revolving capital facilities reserve fund for maintenance and repairs with a minimum annual funding

level of one percent (approximately \$50 million) of current replacement value;

(c) Conducting an inventory of our public facilities, evaluating the current conditions and identifying the priority needs for repairs, renovation or replacement;

(d) Conducting a study on the operations and maintenance of state-owned facilities and development of a statewide preventative maintenance program;

(e) development of a post-occupancy feed-back and evaluation system that not only provides a method for accountability but also provides information for the planning of future facilities;

(f) Evaluation of outdated legislation, uncoordinated regulations, and fragmented building programs that affect the total life-cycle cost of our public facilities; and

(g) development of a participative joint venture between industry, education, and government that would encourage our universities to provide technical assistance, engage in applied research, and develop new technology related to our public facilities infrastructure.

Mr. Carter reviewed some of the expenditures the legislature has recently made to fund infrastructure facilities. He discussed the following appropriations and authorizations for the University

of North Carolina system during recent years:

1979	\$175.9 million
1981	\$ 53.0 million
1983	\$193.7 million
1985	\$ 98.2 million

Mr. Doug Carter also mentioned the following capital appropriations to demonstrate that North Carolina has already begun addressing its infrastructure problems:

1981	\$152.0 million	Highway resurfacing
	53.0 m.	UNC projects
1983	152.0 m.	Highway resurfacing
	193.7 m.	UNC projects
	75.0 m.	Repair/renovation of
		State-owned buildings
	321.6 m.	Highway construction
1985	120.0 m.	Water/sewer facilities
	98.2 m.	UNC projects
	165.0 m.	Highway resurfacing
	21.0 m.	Community colleges

Although the above list is not an exhaustive summary of all fiscal legislation during the 1980's relating to infrastructure financing, it does demonstrate that the State has assumed some fiscal responsibility in funding its public infrastructure.

Mr. Carter also spoke on the issue of "infrastructure banks." California considered but defeated legislation in 1984 that would have created an "infrastructure bank," or revolving loan fund, to finance several types of public works projects for which cities and counties had primary or sole fiscal responsibility. The final version of the defeated bill called for the issuance of one and one-half billion dollars (\$1.5 billion) in revenue bonds to create a fund to finance infrastructure projects.

New Jersey enacted legislation creating a revolving loan fund solely for the construction and expansion of wastewater treatment facilities (1985 N.J. Sess. Laws ch. 329). The New Jersey legislature authorized the issuance of one-hundred ninety million dollars (\$190 million) in general obligation bonds to make low and zero interest loans to local governments for wastewater treatment projects. In addition, approximately forty million dollars (\$40 million) of the bond proceeds are earmarked for grants for such projects; however, the amount of the grant cannot exceed twenty percent of the total cost of the project.

Mr. Tom Bradshaw, a member of the Committee, mentioned that Congress was considering a bill (H.R. 1776) to create a national infrastructure bank to make interest-free loans to the states who, in turn, would make interest-free loans to the local governmental units for various infrastructure projects, including water and sewer facilities and highways and bridges. At the time of this report, no action had been taken on this bill in Congress and it was still pending before the House Committee on Public Works and Transportation.

April 22, 1986 meeting

The committee continued its assessment of infrastructure needs with presentations by former Governor Robert Scott, President of the Department of Community Colleges, and Mr. R.D. McMillan, Assistant to the President for Governmental Affairs at the University of North Carolina. The Committee also heard suggestions and recommendations on infrastructure financing from Secretary James Harrington, Mr. Ray DeBruhl, and Secretary Thomas Rhodes. These three speakers had addressed the Committee at earlier meetings also.

Governor Scott outlined the capital needs of the fifty-eight community colleges and technical schools. Current needs for both new construction and maintenance were estimated at \$14.5 million, based on a 1984 needs survey by the institutions. He then presented a five-year projection of these needs for the period 1985-1990. Each institution has a five year plan, updated annually. During the 1985-1990 period, the institutions would require approximately \$300 million for new construction and \$14.7 million for renovation. A detailed analysis of these needs was provided by Governor Scott and is included in Appendix H.

Mr. McMillan spoke about the capital needs of the constituent institutions of the University of North Carolina, the University's

General Administration, and the North Carolina Memorial Hospital. He noted that the University's buildings represented about 45% of the State's total buildings (based on a replacement value comparison of \$2.7 billion for University buildings to \$6 billion for all State buildings). Approximately 30% of the University's facilities are used directly for instructional purposes, 6% for research, 4% for public service, and the remaining 60% for academic support (e.g., libraries), student services (e.g., dorms), institutional administration and other supporting activities. The capital needs for these facilities were projected through the mid-1990's and were estimated to be about \$1.4 billion. New facilities and major additions comprised about one-half this total amount. Of the \$1.4 billion in needs, \$1.15 billion would be required from state appropriations and \$246 million would come from self-liquidating sources such as student fees. Appendix I provides in more detail an analysis of these needs by individual campuses and by type of improvement.

Secretary Harrington returned to the Committee and recommended a change in the manner in which transportation is provided to the public. The Secretary elaborated on what he considered to be the most important element of this change: the creation of a highway trust fund. (The Secretary presented several non-revenue proposals at the March 25, 1986 meeting). The

Transportation Trust Fund would consist of four accounts: highway, aviation, rail and public transportation. The Highway Account would be annually funded with 7% of the gross revenues of the Highway Fund, with some discretion in the General Assembly to adjust the actual amount going into the fund, subject to certain restrictions on decreasing this amount. Portions of the money in the Account would be used to make revolving loans to local governments for highway construction. The repayments on these loans would also be returned to the Highway Account. Monies from the Account would also be used to provide supplemental funding to the Department of Transportation to offset inequitable distributions of federal highway construction funds and to assist in right-of-way acquisition.

The creation of the Highway Account in the Trust Fund would enable the State to create its own state highway construction program to supplement the federal program. Currently, the State only matches federal funds available under the federal-aid program. As a result of the creation of the fund, the State would be able to make long-term commitments toward the financing of projects in the same manner that the federal government now does. Details of the trust fund are found in Appendix J.

The Secretary suggested that project eligibility for the supplemental state funding be based on a benefit analysis program

that would take into consideration the cost of the project, the benefits (especially traffic benefits) to be derived from it, and the project's impact on both our natural and human environment. He also recommended allowing the State Treasurer to limit the amount of money that may be released to the Board of Transportation for funding projects. Senator Royall, however, expressed some reservation about giving the Treasurer this much authority over the funds, although it would be acceptable for the Treasurer to invest the funds and to determine which local governments are financially capable of borrowing from the accounts. Mr. Lineberry commented that he feared the trust fund might be opening up a credit system that would get the local units in trouble by borrowing from the fund beyond their repayment means.

Mr. DeBruhl returned to the Committee to make some suggestions concerning state-owned buildings that the Committee might be interested in pursuing. Many of these suggestions were also under consideration by the State-Owned Property Study Commission. Mr. DeBruhl mentioned the possibility of creating a State Building Division to accomplish many of the suggestions he made. Most of these suggestions were incorporated into the Committee's Recommendation #1 for continued study.

Secretary Rhodes also returned to the Committee to comment in more detail on the revolving loan fund he briefly mentioned at an earlier meeting. The proposed revolving loan fund would provide low-interest loans and, in some cases, grants for wastewater treatment, water supply and solid waste management projects. The revolving loan fund would be capitalized with annual state appropriations of \$57 million; an additional annual appropriation of \$3 million would be required for grants. The grants would be available to certain "high-cost" projects, in order to prevent excessively high user rates from being passed onto the consumer. Under the Secretary's proposal, the State would need to fund the program with \$60 million annually for a ten-year period. By the eleventh year, repayments by local units on the money they borrowed from the fund, including the repayments made during the ten-year period that the State is contributing, would be sufficient to make the fund self-sustaining. The Secretary's proposal is presented in its entirety in Appendix K.

F I N D I N G S

FINDINGS

The Committee on State Infrastructure Needs believes that an interim report to the 1986 session will be helpful in identifying for the General Assembly, the Advisory Budget Commission, the legislative appropriations committees, and the public the various public infrastructure needs of North Carolina. The Committee also includes within its report the numerous proposals, primarily concerning infrastructure financing, that were presented to the Committee for its consideration. The Committee does not endorse or recommend any of these proposals at this time; they are included in the report solely for informational purposes and future review by the Committee when it resumes meeting after the 1986 session. The only action taken on these proposals is included within the "Recommendations" section of this report.

Needs Assessments:

The figures identified in the table below were presented by the reporting agencies. Footnotes identify the appended documents supporting these figures. In some cases, both current and projected needs are not available for a particular piece of infrastructure. The "Current" needs column identifies the amount of money necessary to bring the infrastructure up to the level of

efficient service and in compliance with various governmental regulations.¹ The "Future" needs column identifies the projected amount of funding needed to maintain, renovate, replace, and upgrade the infrastructure to meet the levels of service anticipated by the year indicated in the "Year" column. The amount listed under "Future" needs includes the amount listed under "Current" needs. For example, the \$5.8 billion in projected public school facility needs includes the \$2.2 billion in current needs. At this time, the Committee makes no finding as to the accuracy of these figures.

<u>Reporting Agency</u>	<u>Facilities</u>	<u>Needs (in billions)</u>		
		<u>Current</u>	<u>Future</u>	<u>-- Year</u>
Public Instruction ²	Schools	\$ 2.2	\$ 5.8 ³	2000
Natural Resources ⁴	Wastewater	1.0	1.5	2000
Transportation ⁵	Highways			
	Construction	10.1	17.1	2000
	Maintenance	----	4.7	2000
State Bldg. Div.	State Bldgs.			
	Repair/Renov.	.500 ⁶	----	
UNC-Gen. Admin. ⁷	Universities	----	1.4	Mid-90s
Community Colleges ⁸	Comm. Colleges	.014	.315	1990

¹For example, both DPI and UNC separately identified facility changes required by OSHA or because of laws dealing with the accessibility of structures for the handicapped. However, NRCD

Proposals of the Agencies:

Many of the agencies making presentations before the Committee offered proposals dealing with aspects of the infrastructure under their respective jurisdictions. In most cases, the proposals were related to financing of the infrastructure. A summary of these proposals is included below. The Committee does not at this time endorse or recommend any of these proposals.

Reporting Agency

Proposal

Public Instruction

Increase the state sales tax by 1/2 cents, with the proceeds to be placed into a public school capital construction fund. DPI estimates that the increase would generate an additional \$160 million annually. (This proposal was introduced in the 1985 session as SB 431 and HB 764).

Natural Resources

Create a state revolving loan fund, capitalized with \$60 million annual appropriations, to make low-interest loans (and grants, if project is "high cost") to local governments for water supply, wastewater treatment, and solid waste facilities.⁹

Transportation

Create a transportation trust fund, consisting of 4 separate accounts: highways, aviation, rails, & public transportation. Highway account will

states that its needs figures are for conventional treatment only and do not include the additional treatment required to remove toxic chemicals or nutrients.

²See Appendix D.

supplement TIP and enable State and local units to accelerate needed highway projects. Highway account is to be funded with 7% of the Highway Fund annually plus repayments on loans to local governments.¹⁰

Authorize county and municipal participation in streets and highway development outside corporate limits and adoption of comprehensive street plans and agreements with DOT for funding right-of-way acquisition and construction.

Increase state gas tax by the same amount the federal gas tax falls, if it in fact falls.

See Appendix J for other legislative recommendations of the Transportation Task Force.

State Buildings

See the Recommendations made by the Committee; also see recommendations of the State-Owned Property Study Commission.

³The \$5.8 billion estimate comes from a 1983 infrastructure study conducted by NRCD.

⁴See Appendix K.

⁵See pages 14-15 of this report.

⁶This figure is based on an assumption that the current backlog of maintenance and repair needs for state buildings equals 10% of the current \$5 billion replacement value of these buildings.

⁷See Appendix I.

⁸See Appendix H.

⁹See Appendix K.

¹⁰See Appendix J.

Dedicated Revenue Sources: Many of the agencies identified in their oral presentations and/or supporting documents some of the sources of revenue already available to meet a portion of their infrastructure needs. The table below is not an exhaustive listing of all the revenue sources available for infrastructure financing. However, the Committee hopes to provide such a listing for the final report in order to accurately determine the amount of infrastructure needs that may require funding beyond revenue currently available.

<u>Facility</u>	<u>Dedicated Fund Sources Available</u>
Public Schools	*1/2 cents local option sales tax, of which 40% must currently be expended for public school capital costs.
Water/Sewer	*1/2 cents local option sales tax, of which 40% must currently be expended for water and sewer projects. *\$60 million in state appropriations for FY 1985-86 for water and sewer projects. *Federal grants for up to 55% of the cost of wastewater treatment project. (Effective percentage rate is actually less than 50%). NRCD projects that available federal funds in 1986 will total apprx. \$36 million.
Highways/Bridges	*The Department of Transportation has available \$5 billion in construction funds and over \$4 billion in main-tenance funds available through the year 2000 to meet some of its needs.

Community Colleges

*State appropriations (\$21 million in FY 1985-86) plus local matches equal to or exceeding state funds. (57% local funds, 28% state and Vocational Education funds, and 15% federal funds).

Universities

*State appropriations (\$62.8 million in FY 1985-86) plus revenues from self-liquidating sources (e.g., student fees).

R E C O M M E N D A T I O N S

RECOMMENDATIONS

As noted in the findings of this report, the Committee received several bills and legislative proposals concerning the financing of various infrastructure works and facilities. However, in its four meetings prior to the 1986 session, the Committee devoted its time and resources to assessing the State's infrastructure needs and was unable to review in detail the various proposals brought before the Committee.

However, the Committee made the following recommendations as to two of the proposals discussed before the Committee:

Recommendation #1: The Committee on State Infrastructure Needs recommends continued study by the General Assembly and the State-Owned Property Study Commission of the construction, repair, and maintenance needs of state-owned buildings, with particular emphasis on the establishment of a State Building Division to accomplish the following:

(a) An operations and maintenance study of public buildings including a survey of the conditions of the building;

(b) Development of a procedure for the acceptance of land and buildings by the State in order to prevent a future liability for repairs and maintenance by the State;

(c) Development of a procedure for requiring annual inspection of the buildings owned by the State;

(d) Allowing construction of public buildings under any of the following bid procedures: single-prime, multiple-prime, design-build, and construction manager;'

(e) Establishment of a system to coordinate the planned review process for capital construction.

Recommendation #2: The Committee on State Infrastructure Needs recommends continued study by the General Assembly and the appropriate committees of both houses on the issue of expanding municipal and county authority to permit participation in streets and highway development outside corporate limits and adoption of comprehensive street plans and agreements with the Department of Transportation for funding right-of-way acquisition and construction.

It is important to note that the Committee is not recommending the actual proposals, but just the continued study of these proposals by the designated groups. The Committee

recognizes that it retains the privilege, under its enabling legislation [1985 Sess. Laws ch. 790(1).1], to continue its own study of these issues until reporting to the 1987 session of the General Assembly.

It is the intent of the Committee to continue its analysis of infrastructure needs after the 1986 session adjourns. The Committee may re-examine the various legislative proposals presented during the first four meetings. These proposals are identified in the section on "FINDINGS."

A P P E N D I C E S

A

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



COMMITTEE ON
STATE INFRASTRUCTURE NEEDS

Senator Kenneth Royall, Jr.
Co-Chairman

Rep. Foyle Hightower, Jr.
Co-Chairman

Senator Marc Basnight

Rep. Albert Lineberry, Sr.

Senator William N. Martin

Rep. Harry E. Payne, Jr.

Senator Thomas F. Taft

Rep. J. Ray Sparrow

Mr. Tom Bradshaw

Rep. Dennis Wicker

Staff: Mr. Linwood Jones, Committee Counsel
Legislative Services Office

Mrs. Jackie Hamby, Committee Clerk
2225 State Legislative Building

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1985

S**2**

SENATE BILL 541
Second Edition Engrossed 5/29/85

Short Title: LRC Study Infrastructure..

(Public)

Sponsors: Senators Royall; Basnight, Conder, Goldston, Guy,*

Referred to: Rules and Operations of the Senate.

May 13, 1985

1 A BILL TO BE ENTITLED

2 AN ACT TO AUTHORIZE THE LEGISLATIVE RESEARCH COMMISSION TO STUDY
3 THE INFRASTRUCTURE NEEDS OF THE STATE..

4 Whereas, the infrastructure of the State includes
5 wastewater collection and treatment facilities, water supply and
6 delivery facilities, roads, bridges, and other transportation
7 facilities; and

8 Whereas, deterioration of this infrastructure and its
9 inadequacy in many areas pose both short and long term threats to
10 the economy; and

11 Whereas, the State must define the problem in realistic
12 terms and set priorities using coherent and comprehensive
13 approaches of capital investment, rehabilitation, and
14 maintenance; and

15 Whereas, the Department of Natural Resources and
16 Community Development has estimated this to be a [S-\$2/2
17 ~~XXXXXX~~][S-\$25 billion] problem; and

18 Whereas, decreasing federal assistance may cripple the
19 State's ability to deal with this problem; Now, therefore,
20 The General Assembly of North Carolina enacts:

21

1 Section 1. The Legislative Research Commission may
2 inventory and analyze the infrastructure needs of the State, and
3 propose comprehensive approaches to the infrastructure problem.

4 Sec. 2. This act shall become effective July 1, 1985.

5 _____

6 *Additional Sponsors: Hardison, Harrington, Hipps, Hunt of
7 Durham, Hunt of Moore, Johnson of Wake, Martin of Pitt, Parnell,
8 Plyler, Rand, Soles, Swain, Tally, Thomas of Craven, Thomas of
9 Henderson, Walker, Ward, Watt, Woodard.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

REMARKS BY LIEUTENANT GOVERNOR BOB JORDAN
TO COMMITTEE ON INFRASTRUCTURE
12/17/85

I WANT TO THANK YOU FOR AGREEING TO SERVE ON THIS COMMITTEE. YOU ARE DEALING WITH A VERY IMPORTANT ISSUE, AND THE INFORMATION YOU COME UP WITH DURING YOUR REVIEW AND THE RECOMMENDATIONS YOU MAKE ARE CRUCIAL TO THE FUTURE QUALITY OF LIFE IN NORTH CAROLINA.

DEALING WITH THE PROBLEMS OF INFRASTRUCTURE IS NOT ONE WE CAN DEBATE ANY LONGER. IT IS ONE THAT WE MUST SOLVE, AND THAT CAN BE DONE. WE CAN COME UP WITH MANAGEABLE SOLUTIONS.

INFRASTRUCTURE --- IS NOT A GLAMOUROUS TERM. IT'S ONE WE DON'T REALLY PAY A GREAT DEAL OF ATTENTION TO UNTIL WE RIDE OVER ROADS FILLED WITH CRACKS AND POTHOLES, UNTIL WE'RE STUCK IN TRAFFIC IN URBAN AREAS, UNTIL OUR TOWNS ARE FACE WITH A MORATORIUM OF GROWTH BECAUSE OF INADEQUATE WATER AND SEWER FACILITIES, OR UNTIL OUR CHILDREN GO TO SCHOOL IN MOBILE CLASSROOMS.

THERE ARE VARYING IDEAS OF WHAT INFRASTRUCTURE REALLY MEANS. TO ME...IT IS THE PUBLIC BUILDINGS AND FACILITIES NECESSARY TO SERVE THE CITIZENS OF THIS STATE. IT GOES BEYOND ROADS, WATER AND SEWER, AND SCHOOL BUILDINGS. IT'S COURTHOUSES, AIRPORTS, COMMUNITY COLLEGE AND UNIVERSITY BUILDINGS, JAILS, STATE OFFICE BUILDINGS AND OTHER FACILITIES. IT'S THE NETWORK OF FACILITIES THAT DRIVE OUR ECONOMY.

IN THE PAST WE'VE RELIED ON THE FEDERAL GOVERNMENT THROUGH REVENUE SHARING AND OTHER FUNDING EFFORTS TO HELP PAY FOR THESE NEEDED FACILITIES. BUT THE FEDERAL GOVERNMENT IS ELIMINATING THESE FUNDS AS IT MAKES CUTS TO BALANCE THE BUDGET. THE GRAMM-RUDMAN-HOLLINGS BUDGET BALANCING LEGISLATION IS GOING TO SHIFT A LOT OF RESPONSIBILITY AND CUT A LOT OF PROGRAMS.

YOUR JOB IS TO HELP OUR STATE AND LOCAL GOVERNMENTS FIND OUT WHAT OUR NEEDS ARE AND HELP DETERMINE HOW WE WILL FUND THESE PROJECTS. RIGHT NOW WE DON'T HAVE A REAL GRASP OF OUR NEEDS. I'VE SEEN ESTIMATES AS HIGH AS 25 BILLION DOLLARS. SOME PEOPLE BELIEVE

WE NEED A STATE PLAN FOR CAPITAL SPENDING.

THERE ARE SEVERAL OTHER COMMISSIONS UNDERWAY THAT ARE LOOKING AT LOCAL GOVERNMENT FINANCING, HIGHWAY NEEDS, AND SCHOOL FACILITIES. I'D LIKE FOR YOU TO CONCENTRATE ON THE IMMEDIATE NEED FOR WATER AND SEWER FACILITIES, BUT ALSO TO COME UP WITH SOME TYPE OF FRAMEWORK FOR DEALING WITH THESE ISSUES...WHAT THE REAL NEEDS ARE AND HOW WE ARE TO PAY FOR THEM.

NORTH CAROLINA IS NOT ALONE IN THIS PROBLEM. IN STATE AFTER STATE, THE IMMEDIATE AND PROJECT INFRASTRUCTURE NEEDS ARE CONSIDERABLE, AND THE GAP BETWEEN CAPITAL EXPENDITURES AND CAPITAL NEEDS IS GROWING.

STRONG STATE AND LOCAL PARTNERSHIPS ARE CRITICAL TO THE EFFORT OF SOLVING THIS GAP. WE WILL HAVE TO MORE CLEARLY DEFINE THE ROLE OF "WHO IS RESPONSIBLE". WE WILL HAVE TO SCRUTINIZE OUR SERVICES CLOSELY TO SEE WHAT IS NECESSARY, AND THEN DETERMINE HOW BEST TO USE THE RESOURCES AVAILABLE.

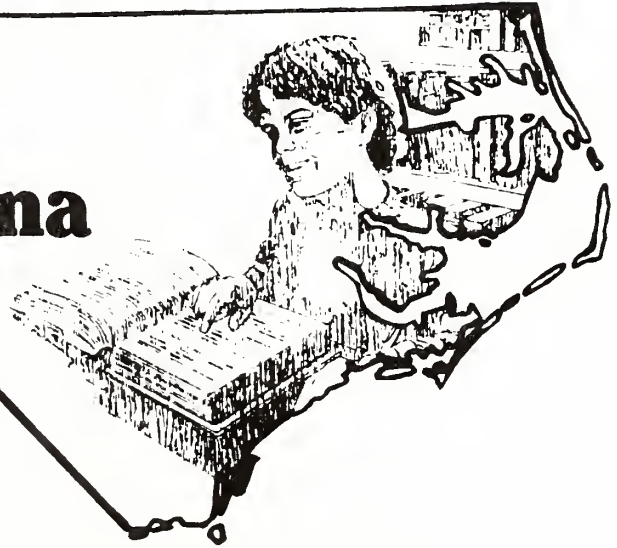
I KNOW THIS IS A LOT OF WORK AND THIS MAY BE MORE THAN JUST A SHORT TERM PROJECT. BUT IT IS EXTREMELY IMPORTANT WITH THE GROWTH WE HAVE GOING ON IN SOME AREAS AND THE LACK OF GROWTH IN OTHER AREAS, THAT WE START NOW TO DEAL WITH THIS CRITICAL ISSUE. IT IS A PROBLEM THAT IS MANAGEABLE, BUT WE MUST MAKE HARD CHOICES AND ADDRESS THEM NOW. WE OWE IT TO THE PUBLIC. THE STAKES ARE TOO HIGH TO ALLOW ANY LESS.

I THANK YOU FOR YOUR SERVICE AND I APPRECIATE THIS OPPORTUNITY TO TALK WITH YOU. I PLAN TO KEEP UP WITH THE WORK OF THIS COMMITTEE AND LOOK FORWARD TO SEEING YOUR RECOMMENDATIONS.

Public School Facility Needs

**in
North Carolina**

1984-85



N. C. Department of Public Instruction
November, 1984



State of North Carolina

A CRAIG PHILLIPS
SUPERINTENDENT

Superintendent of Public Instruction

Raleigh 27611

November, 1984

This report is the result of a recent study of public school facility needs in North Carolina and is a follow-up of a previous study conducted in 1981. At that time, each board of education was asked to estimate the cost of housing all public school students in attractive, safe, and functional facilities. This study of total needs represented a departure from the studies in the 1950's, 1960's, and early 1970's when boards of education were asked to identify only their most critical needs.

The 1981 study indicated statewide needs in excess of \$1.8 billion. The results of the study were presented to the General Assembly that same year with a request for a \$600 million statewide bond referendum for school construction.

While the General Assembly did not provide an opportunity for the citizens of North Carolina to vote on a statewide school bond referendum, there was an acknowledgement on the part of legislators, boards of education, educators, and citizens that North Carolina had significant school facility needs. There was also the realization that the needs in most counties could not be met with local funds without state assistance.

Later, the 1983 General Assembly enacted a one-half cent, local option sales tax in an effort to correct some of the state's educational facility needs and to provide additional funds to counties and municipalities. Though far from adequate, in 1984-85, this tax will generate approximately \$100 million new dollars for county governments with approximately \$40 million mandated for school construction.

In August, 1984, each board of education was asked to update the January, 1981 study. The results of this most recent study indicate that, in addition to the capital improvements made during that interim, the local boards of education in North Carolina now need in excess of \$2.2 billion to house all K-12 students in attractive, safe, and functional facilities.

I submit this report to all persons in North Carolina who are interested in the welfare of our youth--our greatest resource. I commend the study to you and seek your continued support for funds to improve educational facilities for our children.

State Superintendent of Public Instruction

SUMMARY OF SCHOOL FACILITY NEEDS BY UNITS AND BY CATEGORIES
1984-85

Unit	Replacement of Temporary Facilities	Renovation of Buildings Which are Suitable for Long-Range Use		New or Renovated Facilities for Exceptional Children*	Accessibility for the Handicapped*		Renovations for Energy Conservation*	Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing		Other Needs	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Alamance	287,000	--	8,711,000	60,000	114,400	851,800	230,800	1,354,000	1,978,700	13,587,700		
Burlington	--	3,300,000	1,750,000	--	530,000	450,000	60,000	80,000	450,000	6,620,000		
Alexander	992,000	4,100,000	1,600,000	300,000	50,000	750,000	200,000	500,000	1,600,000	10,092,000		
Alleghany	--	--	700,000	100,000	80,000	100,000	--	900,000	--	1,880,000		
Anson	400,000	8,662,375	86,000	--	--	36,242	--	966,000	3,000,000	13,150,617		
Ashe	200,000	4,300,000	2,500,000	--	750,000	750,000	750,000	200,000	1,065,000	10,515,000		
Avery	--	2,500,000	750,000	250,000	250,000	125,000	--	250,000	1,000,000	5,125,000		
Beaufort	300,000	8,450,000	3,400,000	200,000	100,000	250,000	--	100,000	--	12,800,000		
Washington	--	8,400,000	1,634,400	153,000	56,000	96,000	--	150,000	331,000	10,820,400		
Bertie	1,740,000	1,300,000	1,050,000	120,000	--	100,000	2,000,000	500,000	--	6,810,000		
Bladen	1,860,000	6,400,000	1,250,000	230,000	286,000	286,000	226,000	675,000	8,760,000	19,973,000		
Brunswick	1,980,000	2,820,000	--	--	--	--	--	800,000	--	5,600,000		
Buncombe	3,500,000	49,900,000	4,000,000	1,250,000	750,000	800,000	--	950,000	4,000,000	65,150,000		
Asheville	--	--	--	179,000	2,400,000	3,410,000	2,196,000	1,790,000	1,854,000	11,829,000		
Burke	600,000	33,200,000	3,400,000	1,500,000	150,000	300,000	3,500,000	100,000	--	42,750,000		
Cabarrus	720,000	11,936,000	835,000	150,000	100,000	7,000,000	100,000	60,000	13,450,000	34,351,000		
Kannapolis	--	2,500,000	1,300,000	50,000	225,000	600,000	1,050,000	350,000	300,000	6,375,000		
Caldwell	487,500	8,965,000	4,758,321	--	350,000	2,407,929	--	--	977,042	17,945,792		
Camden	120,000	443,000	632,500	--	100,000	155,000	610,000	--	--	2,060,500		
Carteret	810,000	8,675,000	1,725,000	--	125,000	250,000	--	1,550,000	--	13,135,000		
Caswell	1,500,000	422,500	1,069,200	200,000	130,000	1,750,000	95,000	85,000	300,000	5,551,700		
Catawba	--	14,750,000	1,695,000	--	50,000	250,000	--	1,900,000	2,000,000	20,645,000		
Hickory	--	5,500,000	1,623,000	--	520,000	363,000	1,712,000	112,000	216,000	10,046,000		
Newton-Conover	--	2,500,000	100,000	350,000	75,000	60,000	250,000	40,000	600,000	3,975,000		

Unit	Replacement of Temporary Facilities		Renovation of Buildings Which are Suitable for Long-Range Use		New or Renovated Facilities for Exceptional Children*		Accessibility for the Handicapped*		Renovations for Energy Conservation*		Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing		Other Needs	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Chatham	150,000	4,000,000	1,000,000	1,000,000	100,000	100,000	100,000	100,000	300,000	300,000	300,000	500,000	2,500,000	8,950,000	
Cherokee	--	3,500,000	1,200,000	250,000	200,000	350,000	1,200,000	600,000	2,800,000	10,100,000					
Chowan	--	2,610,000	6,541,694	240,000	1,650,000	500,000	--	600,000	--	12,141,694					
Clay	675,000	400,000	225,000	--	--	30,000	25,000	195,000	642,000	2,192,000					
Cleveland	2,346,000	12,720,130	1,017,360	633,200	264,174	1,352,561	9,987,360	353,380	1,188,000	29,862,165					
Kings Mountain	412,500	6,750,000	200,000	--	--	6,000	--	--	600,000	7,968,500					
Shelby	200,000	--	1,045,000	570,000	150,000	385,000	--	50,000	1,056,000	3,456,000					
Columbus	250,000	20,000,000	2,000,000	200,000	150,000	1,250,000	350,000	500,000	25,050,000						
Whiteville	700,000	700,000	1,200,000	400,000	215,000	100,000	500,000	1,000,000	4,950,000	9,765,000					
Craven-New Bern	11,916,500	3,000,000	4,819,500	1,000,000	1,000,000	4,375,000	253,500	2,490,000	13,712,000	45,278,660					
Cumberland	7,100,000	7,450,000	325,000	9,000,000	573,160	290,000	--	400,000	2,900,000	11,840,000					
Fayetteville	1,500,000	3,000,000	3,500,000	100,000	150,000	82,000	500,000	400,000	100,000	11,902,000					
Currituck	950,000	6,300,000	3,500,000	50,000	20,000	375,000	150,000	1,272,400	750,000	3,272,150					
Dare	300,000	--	204,750	200,000	20,000	--	2,200,000	800,000	--	32,353,750					
Davidson	2,512,500	16,485,000	6,693,750	3,412,500	250,000	200,000	1,500,000	100,000	500,000	6,323,000					
Lexington	90,000	--	3,105,000	500,000	328,000	345,000	--	230,000	--	5,635,000					
Thomasville	--	2,875,000	920,000	575,000	690,000	350,000	1,250,000	200,000	1,500,000	5,200,000					
Davie	--	250,000	1,500,000	100,000	50,000	--	--	--	350,000	18,425,000					
Duplin	865,000	16,060,000	1,150,000	--	2,176,400	4,299,092	4,000,000	1,500,000	11,475,000	38,941,000					
Durham	2,740,000	4,500,000	3,860,000	8,866,000	1,000,000	840,000	700,000	250,000	600,000	8,350,000					
Durham	--	--	22,694,830	--	2,176,400	--	--	--	--	30,170,322					
Edgecombe	265,000	3,675,000	1,575,000	275,000	170,000	400,000	--	550,000	1,500,000	5,735,000					
Tarboro	350,000	875,000	1,850,000	100,000	110,000	1,175,000	--	2,660,000	5,375,000	57,760,000					
Forsyth	5,550,000	21,495,000	20,200,000	805,000	500,000	367,000	--	850,000	1,600,000	19,138,000					
Franklin	1,700,000	11,716,000	2,200,000	655,000	50,000	--	--	--	--	--					

Unit	Replacement of Temporary Facilities	Replacement of Obsolete Facilities	Renovation of Buildings Which are Suitable for Long-Range Use	New or Renovated Facilities for Exceptional Children*	Accessibility for the Handicapped*	Renovations for Energy Conservation*	Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing	Other Needs	TOTAL
Franklinton	\$ --	\$ 4,320,000	\$ 508,000	\$ --	\$ --	\$ --	\$ 25,000	\$ 175,000	\$ --	\$ 5,028,000
Gaston	360,000	13,560,000	2,520,000	100,000	600,000	200,000	1,200,000	3,000,000	1,000,000	22,540,000
Gates	150,000	1,420,000	500,000	92,000	50,000	200,000	1,900,000	100,000	375,000	4,787,000
Graham	200,000	5,600,000	950,000	310,000	30,000	50,000	--	--	770,000	7,910,000
Granville	500,000	7,000,000	2,000,000	1,000,000	500,000	500,000	--	100,000	500,000	12,100,000
Greene	2,060,000	3,960,000	1,875,000	100,000	30,000	250,000	1,830,000	175,000	2,000,000	12,280,000
Guilford	400,000	580,000	4,515,000	240,000	1,000,000	1,880,000	3,890,000	480,000	11,515,000	24,500,000
Greensboro	700,000	500,000	6,000,000	1,000,000	500,000	1,000,000	500,000	500,000	4,200,000	14,900,000
High Point	--	3,000,000	9,325,000	--	1,700,000	1,350,000	--	500,000	4,850,000	20,725,000
Halifax	750,000	5,000,000	1,500,000	125,000	50,000	310,000	350,000	100,000	160,000	8,345,000
Roanoke Rapids	240,000	8,723,770	2,051,150	160,000	--	--	300,000	438,650	2,132,500	14,046,070
Weldon	--	3,500,000	100,000	--	30,000	255,000	112,000	400,000	250,000	4,647,000
Harnett	1,755,000	28,079,000	5,989,750	100,000	150,000	250,000	--	3,500,000	250,000	40,073,750
Haywood	750,000	8,500,000	450,000	150,000	250,000	580,000	250,000	3,100,000	--	14,030,000
Henderson	--	9,775,000	4,487,500	--	--	--	--	750,000	--	15,012,500
Hendersonville	--	--	2,500,000	--	200,000	500,000	500,000	100,000	500,000	4,300,000
Hertford	--	7,700,000	3,300,000	--	275,000	275,000	--	275,000	275,000	12,100,000
Hoke	1,680,000	10,000,000	3,000,000	3,120,000	50,000	--	1,000,000	1,500,000	1,000,000	21,350,000
Hyde	1,000,000	--	--	--	--	--	--	--	--	1,000,000
Iredell	460,000	11,800,000	1,470,000	300,000	296,000	173,000	2,172,000	440,000	5,950,000	23,061,000
Mooreville	--	4,879,333	688,677	--	54,575	382,320	50,000	500,000	900,000	7,454,905
Statesville	210,000	2,300,000	6,026,285	175,000	417,500	227,000	575,000	308,000	2,080,701	12,319,486
Jackson	--	7,840,000	740,000	--	75,000	125,000	500,000	200,000	150,000	9,630,000
Johnston	300,000	20,000,000	2,000,000	300,000	1,000,000	1,000,000	--	300,000	100,000	25,000,000
Jones	428,000	2,500,000	494,942	25,000	50,000	50,000	1,520,000	1,000,000	300,000	6,367,942

Unit	Replacement of Temporary Facilities	Replacement of Obsolete Facilities	Renovation of Buildings Which are Suitable for Long-Range Use	New or Renovated Facilities for Exceptional Children*	Accessibility for the Handicapped*	Renovations for Energy Conservation*	Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing	Other Needs	TOTAL
Lee	\$ 1,000,000	\$ 8,587,000	\$ 656,000	\$ --	\$ --	\$ --	\$ --	\$ 3,500,000	--	\$ 13,743,000
Lenoir	510,000	5,798,845	7,507,925	154,225	540,000	550,000	180,000	948,000	1,680,000	17,868,995
Kinston	250,000	4,051,700	1,157,625	114,000	114,000	950,000	--	900,000	3,009,825	10,547,150
Lincoln	1,500,000	14,000,000	2,500,000	1,000,000	50,000	150,000	180,000	420,000	1,000,000	20,800,000
Macon	--	--	--	--	--	--	1,200,000	150,000	4,814,800	6,164,800
Madison	103,500	6,325,000	1,725,000	575,000	172,500	230,000	1,886,000	172,500	--	11,189,500
Martin	--	2,561,000	544,000	--	80,000	225,000	--	750,000	--	4,160,000
McDowell	--	13,730,600	--	--	180,000	250,000	1,580,000	586,429	952,442	17,279,471
Mecklenburg	11,400,000	1,000,000	4,850,000	4,000,000	2,500,000	2,000,000	10,000,000	7,500,000	44,900,000	88,150,000
Mitchell	1,200,000	2,500,000	1,000,000	50,000	100,000	500,000	500,000	1,500,000	100,000	7,450,000
Montgomery	--	9,420,000	1,490,000	250,000	--	--	--	200,000	90,000	11,450,000
Moore	2,540,600	6,700,000	1,800,000	1,280,000	1,460,000	480,000	--	--	--	14,260,600
Nash	1,287,000	17,215,000	4,565,000	3,300,000	154,000	330,000	275,000	1,100,000	1,694,000	29,920,000
Rocky Mount	--	4,200,000	400,000	--	134,400	--	1,120,000	224,000	1,000,000	7,078,400
New Hanover	--	--	4,500,000	250,000	500,000	1,000,000	--	490,000	320,000	7,060,000
Northampton	4,208,000	8,995,000	566,500	487,000	345,000	163,500	2,319,000	800,000	2,947,000	20,831,000
Onslow	4,000,000	6,400,000	6,000,000	500,000	100,000	2,400,000	250,000	300,000	10,000,000	29,950,000
Orange	288,000	5,500,000	3,201,400	543,000	10,000	190,660	500,000	870,900	7,922,600	19,026,560
Chapel Hill	75,000	--	3,125,000	2,500,000	500,000	800,000	--	800,000	3,500,000	11,300,000
Pamlico	504,000	1,495,000	1,120,000	110,000	70,000	100,000	360,000	330,000	900,000	4,989,000
Pasquotank	1,000,000	5,100,000	2,473,000	16,500	30,000	89,000	9,000	903,000	3,741,000	13,361,500
Pender	3,717,000	4,692,000	1,777,000	368,000	81,000	920,000	--	325,000	450,000	12,330,000
Perquimans	300,000	2,350,000	1,863,750	75,000	150,000	200,000	--	375,000	1,000,000	6,313,750
Person	1,140,000	2,500,000	993,000	--	750,000	1,500,000	--	565,000	1,220,000	8,668,000
Pitt	2,800,000	4,509,000	2,195,000	831,000	80,000	1,785,000	--	600,000	6,406,000	19,206,000

(

Unit	Replacement of Temporary Facilities	Replacement of Obsolete Facilities	Renovation of Buildings Which are Suitable for Long-Range Use	New or Renovated Facilities for Exceptional Children*	Accessibility for the Handicapped*	Renovations for Energy Conservation*	Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing	Other Needs	TOTAL
Greenville	\$ 320,000	\$ 1,350,000	\$ 3,975,000	\$ 3,097,000	\$ 750,000	\$ 1,110,000	\$ 300,000	\$ 500,000	\$ 1,500,000	\$ 12,902,000
Polk	--	14,090,000	890,000	--	--	--	--	--	--	14,980,000
Tryon	--	--	200,000	--	40,000	100,000	750,000	--	--	1,090,000
Randolph	2,331,875	6,103,550	7,516,501	77,900	110,000	186,000	525,100	670,000	1,506,238	19,027,164
Asheboro	--	1,920,500	2,476,966	--	--	34,000	460,000	175,000	698,040	5,764,506
Richmond	1,500,000	5,400,000	2,500,000	100,000	200,000	750,000	1,800,000	2,500,000	--	14,750,000
Robeson	3,561,000	11,427,927	15,830,118	2,118,000	311,400	2,057,521	641,700	444,000	4,504,000	40,895,666
Fairmont	675,000	2,328,000	185,000	100,000	40,000	300,000	--	300,000	1,220,000	5,148,000
Lumberton	1,500,000	--	500,000	200,000	200,000	500,000	200,000	--	400,000	3,500,000
Red Springs	410,000	1,353,500	460,000	50,000	50,000	45,000	--	285,000	2,125,000	4,778,500
St. Pauls	600,000	1,300,000	1,800,000	300,000	125,000	325,000	175,000	1,000,000	1,500,000	7,125,000
Rockingham	1,680,000	2,030,000	770,000	350,000	350,000	--	--	500,000	5,000,000	10,680,000
Eden	--	5,000,000	3,000,000	500,000	500,000	400,000	--	850,000	1,000,000	11,250,000
Reidsville	--	--	2,987,250	100,000	16,000	--	900,000	--	825,000	4,828,250
West. Rockingham	--	11,000,000	275,000	325,000	300,000	500,000	600,000	300,000	900,000	14,200,000
Rowan	1,860,000	12,518,850	6,990,398	66,000	153,600	1,309,800	2,370,000	3,000,000	2,000,000	30,268,648
Salisbury	792,000	--	4,008,375	--	62,000	330,000	--	--	1,742,000	6,934,375
Rutherford	5,148,000	30,452,000	4,991,000	1,438,000	1,408,000	572,000	1,706,000	500,000	--	46,215,000
Sampson	1,968,000	13,650,000	2,600,000	--	--	1,550,000	--	50,000	--	19,818,000
Clinton	1,262,500	1,223,000	--	--	--	650,000	--	742,500	1,350,000	5,228,000
Scotland	--	9,840,300	--	1,862,000	--	1,120,000	1,650,000	1,351,300	1,954,960	17,778,560
Stanly	730,000	2,325,000	3,174,050	120,000	80,000	260,000	--	445,000	160,000	7,294,050
Albemarle	--	4,250,000	1,976,000	--	355,000	465,000	--	--	1,000,000	8,046,000
Stokes	500,000	500,000	1,244,000	450,000	9,500	326,500	1,278,500	1,070,000	1,540,000	6,918,500
Surry	550,000	16,020,612	3,000,000	250,000	25,000	500,000	--	80,000	7,575,500	28,001,112

Unit	Replacement of Temporary Facilities	Replacement of Obsolete Facilities	Renovation of Buildings Which are Suitable for Long-Range Use	New or Renovated Facilities for Exceptional Children*	Accessibility for the Handicapped*	Renovations for Energy Conservation*	Community Schools*	New or Renovated Facilities for Administration, Maintenance, Transportation, Warehousing	Other Needs	TOTAL
Elkin	\$ --	\$ 1,843,675	\$ 467,784	\$ --	\$ 55,000	\$ --	\$ --	\$ 480,978	\$ --	\$ 2,847,437
Mount Airy	--	2,475,000	600,000	--	300,000	100,000	--	300,000	850,000	4,625,000
Swain	--	3,207,750	3,281,050	--	--	--	840,000	300,000	120,000	7,748,800
Transylvania	--	2,000,000	2,300,000	--	150,000	--	--	150,000	3,900,000	8,500,000
Tyrrell	--	385,000	310,200	--	75,000	82,500	20,000	250,000	--	1,122,700
Union	2,128,131	6,772,812	1,456,690	893,719	25,000	1,950,000	95,000	500,000	3,024,000	16,845,352
Monroe	180,000	1,250,000	250,000	250,000	30,000	175,000	25,000	450,000	--	2,610,000
Vance	1,883,700	8,614,580	648,960	49,140	18,100	100,000	1,800,000	150,000	230,000	13,494,480
Wake	18,500,000	59,750,000	11,500,000	5,500,000	5,500,000	19,500,000	6,200,000	14,500,000	8,200,000	149,150,000
Warren	1,129,200	6,433,000	--	--	--	200,000	--	160,000	--	7,922,200
Washington	4,134,000	4,710,640	2,937,217	265,000	106,000	500,000	824,680	530,000	500,000	14,507,537
Watauga	--	--	4,446,250	--	215,000	282,200	--	--	1,053,410	6,002,860
Wayne	1,532,500	13,578,200	5,212,025	100,000	200,000	500,000	500,000	250,000	2,866,250	24,738,975
Goldsboro	600,000	--	2,621,000	--	75,000	75,000	--	22,000	3,280,000	6,673,000
Wilkes	--	4,878,500	2,639,421	200,000	130,000	600,370	75,000	3,150,000	83,257	11,756,548
Wilson	8,000,000	4,000,000	750,000	1,200,000	450,000	1,000,000	1,500,000	1,500,000	--	18,400,000
Yadkin	702,000	3,719,700	1,725,000	12,000	173,000	150,000	80,000	550,000	1,200,000	8,311,700
Yancey	50,000	4,800,000	2,400,000	50,000	10,000	35,000	75,000	500,000	25,000	7,945,000
TOTAL	\$170,063,006	\$928,054,349	\$370,993,064	\$76,848,184	\$45,014,709	\$103,525,995	\$101,319,640	\$111,020,037	\$299,718,265	\$2,206,561,249

*Estimates in these areas were frequently included under replacement of obsolete facilities and renovations. Additional monies will be needed here if not available in other categories.

**The above estimates do not include funds which will be provided from recently passed bond issues: Buncombe County, \$27.1 million; Asheville City, \$4.4 million; Perquimans County, \$2 million, and New Hanover, \$11.5 million.

SUMMARY OF SCHOOL FACILITY NEEDS BY CATEGORIES
1984-85

o Replacement of temporary facilities	\$ 170,063,006
o Replacement of obsolete facilities	928,054,349
o Renovation of buildings which are suitable for long-range use	370,993,064
o New or renovated facilities for exceptional children	76,848,184*
o Accessibility for the handicapped	45,014,709*
o Renovations for energy conservation	103,529,995*
o Community sch s	101,319,640*
o New or renovated facilities for administration, maintenance, transportation, warehousing	111,020,037
o Other needs	299,718,265
	<hr/>
TOTAL	\$2,206,561,249

*Estimates in these areas were frequently included under replacement of obsolete facilities and renovations. Additional monies will be needed here if not available in other categories.

DEFINITION OF CATEGORIES

Replacement of Temporary Facilities

Most school systems in North Carolina have experienced a decline in school membership; however, many administrative units still have students housed in mobile units, in temporary frame buildings, in multipurpose rooms, or in other temporary quarters. This category includes the estimated cost of housing all students who are now in temporary quarters in permanent facilities. The cost of land and equipment is included, where applicable.

Replacement of Obsolete Facilities

Approximately 25% of the teaching stations in North Carolina are located in facilities constructed prior to 1949. Most of these buildings are non-fire resistive structures; many have serious building code violations. Most of these buildings are unsuitable for long-range use. Likewise, some of the fire resistive buildings constructed after 1949 may have code violations and be unsuitable for long-range use. This category includes the estimated cost of replacing the obsolete facilities regardless of date of construction. The cost estimates include land and equipment, where applicable.

Renovation of Buildings Which are Suitable for Long-Range Use

Approximately 30% of all teaching stations in North Carolina are housed in buildings which were constructed between 1950 and 1959. Many of these buildings are minimal by today's standards, contain asbestos which should be removed, and have building code violations which should be corrected. A major renovation will cost up to one-half of the cost of new construction. Many buildings built in the 1960's and early 1970's would also benefit from renovations. This category includes the estimated cost of renovations to buildings which are suitable for long-range use.

New or Renovated Facilities for Exceptional Children

The number of exceptional children being served in North Carolina increased from 2,175 in 1949-50 to approximately 178,000 in 1983-84. Few public school facilities were planned specifically for these children. Self-contained programs for the severely and profoundly handicapped, trainable mentally handicapped, and educable mentally handicapped are frequently housed in regular classrooms or temporary classrooms which lack toilet facilities, sinks, adequate ventilation, and adequate instructional areas. Resource teachers for exceptional children frequently share standard classrooms or are housed in mobile units or other inadequate accommodations. This category includes the estimated cost of providing all exceptional children with appropriate facilities, including land and equipment, where applicable.

Accessibility for the Handicapped

Section 504 of the Rehabilitation Act of 1973 requires boards of education to make all programs and activities accessible to the handicapped. Section 504 is applicable to school employees, parents, and other citizens as well as students. Most buildings constructed since 1973 are accessible to the handicapped or can be easily modified. Most buildings constructed prior to 1973 will require extensive modifications; many will require elevators. This category includes the estimated cost of making all buildings which are suitable for long-range use accessible to the handicapped.

Renovations for Energy Conservation

Limited federal monies are available on a matching basis to conduct energy audits and make some renovations for energy conservation. The amount available, however, is insufficient. This category includes the estimated cost of renovating buildings to improve their energy efficiency.

Community Schools

Many school facilities are used by the community. Typical projects in this category include the construction of swimming pools, tennis courts, auditoriums, etc., but also renovations to existing areas to improve their function and to enhance their use after school hours.

New or Renovated Facilities for Administration, Maintenance, Transportation, and Warehousing

Many school systems in North Carolina have adequate facilities for administration and operations while others are housed in totally inadequate facilities. This category includes the estimated cost for adequately housing all administrative, maintenance, transportation, and warehousing functions.

Other Needs

School systems have many facility needs which do not fit the categories above. For example, elementary schools may lack appropriate indoor play areas or multipurpose rooms; junior high/middle schools and high schools may lack teaching theaters. Increased participation in girls' athletics in grades 7-12 may have increased the need for a second gymnasium. Shifts of student population may result in the need for system-wide reorganization and, consequently, new schools. Many kindergarten and primary programs are housed in conventional classrooms which are inadequate in size and lack special facilities. Legislation by the 1984 General Assembly reduced class size in grades 4-6 thereby creating a need for additional teaching stations. More stringent environmental standards are requiring more sophisticated sewage disposal systems. This category includes the estimated costs for school facilities which are not indicated in categories above.

ESTIMATED 1985-86 REVENUES FROM THE ONE-HALF CENT LOCAL-OPTION SALES TAX*

COUNTY	ONE-HALF CENT COUNTY-WIDE DISTRIBUTIONS	DISTRIBUTIONS TO COUNTY GOVERNMENTS %	AMOUNTS	40 PERCENT FOR SCHOOLS
Alamance	\$ --	--	\$ --	\$ --
Alexander	671,082	95.98040	644,107	257,643
Alleghany	253,147	84.86916	214,843	85,937
Anson	672,859	76.89364	517,386	206,954
Ashe	593,440	90.96186	539,804	215,922
Avery	381,124	84.75596	323,025	129,210
Beaufort	1,082,860	74.86509	810,684	324,274
Bertie	549,493	79.59031	437,343	174,937
Bladen	787,776	81.00749	638,158	255,263
Brunswick	1,060,037	86.65746	918,601	367,440
Buncombe	4,237,520	72.44941	3,070,058	1,228,023
Burke**	1,908,144	76.04640	1,451,074	580,430
Cabarrus	2,327,521	83.01886	1,932,282	772,913
Caldwell	1,747,270	73.27845	1,280,373	512,149
Camden	150,981	100.00000	150,981	60,392
Carteret	1,173,485	66.28666	777,864	311,146
Caswell	559,488	99.83353	558,557	223,423
Catawba	2,815,551	70.80124	1,993,445	797,378
Chatham	888,653	83.74481	744,201	297,680
Cherokee	506,757	83.58970	423,597	169,439
Chowan	328,161	77.63394	254,764	101,906
Clay	178,416	95.62076	170,603	68,241
Cleveland	2,155,829	72.73359	1,568,012	627,205
Columbus	1,326,939	78.94043	1,047,492	418,997
Craven	1,922,878	78.98378	1,518,762	607,505
Cumberland	6,454,298	76.37453	4,929,439	1,971,776
Currituck	324,271	100.00000	324,271	129,708
Dare	394,828	73.96353	292,029	116,812
Davidson	2,983,843	77.85231	2,322,990	929,196
Davie	684,632	88.84172	608,239	243,295
Duplin	1,059,547	76.91056	814,904	325,962
Durham	--	--	--	--
Edgecombe	1,476,607	63.04415	930,914	372,366
Forsyth	6,500,383	61.79028	4,016,605	1,606,642
Franklin	804,804	91.03841	732,680	293,072
Gaston	4,306,635	66.47303	2,862,751	1,145,100
Gates	233,131	96.05179	223,926	89,571
Graham	183,001	89.73096	164,209	65,684
Granville	924,795	77.29573	714,827	285,931
Greene	424,350	92.55704	392,765	157,106
Guilford	8,322,461	58.47570	4,866,617	1,946,647
Halifax	1,434,721	67.38711	966,817	386,727
Harnett	1,586,758	76.99102	1,221,661	488,664
Haywood	1,209,575	76.24298	922,216	368,887
Henderson	1,630,035	88.44116	1,441,622	576,649
Hertford	611,524	72.22906	441,698	176,679
Hoke	564,074	84.83921	478,556	191,422
Hyde	153,042	100.00000	153,042	61,217
Iredell	2,188,931	74.04990	1,620,901	648,360
Jackson	692,283	93.10643	644,560	257,824
Johnston	1,883,723	84.63462	1,594,282	637,713
Jones	251,730	92.86677	233,773	93,509

COUNTY	ONE-HALF CENT COUNTY-WIDE DISTRIBUTIONS	DISTRIBUTIONS TO COUNTY GOVERNMENTS		40 PERCENT FOR SCHOOLS
		%	AMOUNTS	
Lee	\$ 990,999	69.82105	\$ 691,926	\$ 276,770
Lenoir	1,559,272	73.23168	1,141,881	456,752
Lincoln	1,123,819	88.54475	995,083	398,033
Macon	574,764	86.62895	497,912	199,165
Madison	436,740	83.29976	363,804	145,521
Martin	676,672	82.87663	560,803	224,321
McDowell	929,793	89.00671	827,578	331,031
Mecklenburg	10,943,985	58.83070	6,438,423	2,575,369
Mitchell	367,883	83.58326	307,489	122,995
Montgomery	598,721	76.33342	457,024	182,810
Moore	1,363,133	73.35080	999,869	399,947
Nash	1,785,421	64.92829	1,159,244	463,697
New Hanover	2,803,211	69.25636	1,941,402	776,561
Northampton	581,797	77.31147	449,796	179,918
Onslow	3,049,325	81.09573	2,472,873	989,149
Orange	2,052,092	64.05368	1,314,441	525,776
Pamlico	273,368	91.73199	250,766	100,307
Pasquotank	737,827	70.94800	523,473	209,389
Pender	601,168	88.44371	531,696	212,678
Perquimans	249,978	78.58126	196,436	78,574
Person**	770,105	85.18641	656,024	262,410
Pitt	2,429,275	63.08484	1,532,504	613,002
Polk	364,714	80.68156	294,257	117,703
Randolph	2,440,506	77.55956	1,892,846	757,138
Richmond	1,161,867	71.48654	830,579	332,231
Robeson	2,694,374	74.23226	2,000,095	800,038
Rockingham	2,186,819	71.03017	1,553,301	621,320
Rowan	2,610,576	69.51735	1,814,803	725,921
Rutherford	1,435,081	83.88785	1,203,859	481,543
Sampson	1,289,407	81.16426	1,046,537	418,615
Scotland	858,746	88.39899	759,123	303,649
Stanly	1,262,307	70.46288	889,458	355,783
Stokes	886,824	97.81592	867,456	346,982
Surry	1,539,951	82.78288	1,274,816	509,926
Swain	274,914	86.97637	239,110	95,644
Transylvania	631,231	89.63144	565,781	226,312
Tyrrell	105,334	93.23996	98,213	39,285
Union	1,932,307	84.17118	1,626,445	650,578
Vance	967,377	70.79622	684,866	273,947
Wake	8,371,045	58.73202	4,916,484	1,966,594
Warren	414,896	88.61623	367,665	147,066
Washington	375,199	70.67301	265,164	106,066
Watauga	867,092	64.71376	561,128	224,451
Wayne	2,523,506	68.60496	1,731,250	692,500
Wilkes	1,542,991	90.19017	1,391,626	556,651
Wilson	1,656,130	72.43814	1,199,670	479,868
Yadkin	751,583	84.93314	638,343	255,337
Yancey	392,484	91.44709	358,915	143,566
TOTALS	150,000,000	72.85636	109,284,546	43,713,818

* Projections are for a full year and are based on 1984-85 distributions plus an 8 percent growth factor. County-wide distributions for 1985-86 are based on \$25.76 per capita.

** Burke and Person's collections during 1985-86 should equal approximately seven-twelfths of the amounts shown.

April 2, 1986

LOCAL SCHOOL BOND ISSUES

SINCE ENACTMENT OF THE ONE-HALF CENT LOCAL-OPTION SALES TAX

COUNTY	DATE	AMOUNT	VOTE
Watauga County	10-11-83	3,500,000	Defeated
Anson County	11-08-83	1,800,000	Approved
Forsyth County	11-08-83	7,500,000	Approved
New Hanover County	01-17-84	11,500,000	Approved
Buncombe County	03-13-84	32,000,000	Approved
Perquimans County	05-08-84	2,000,000	Approved
Washington County	11-06-84	6,500,000	Approved
Haywood County	04-23-85	6,000,000	Approved
McDowell County	05-07-85	6,500,000	Defeated
Hertford County	07-09-85	5,000,000	Defeated
Wake County	10-08-85	70,000,000	Approved
Lee County	11-05-85	10,000,000	Approved
Mecklenburg County	11-05-85	23,100,000	Approved
Lenoir County	12-03-85	11,000,000	Approved
Sampson County	12-10-85	6,400,000	Defeated
Catawba County	02-25-86	17,600,000	Approved
Onslow County	02-25-86	15,900,000	Defeated
Pamlico County	03-11-86	1,500,000	Defeated
Clay County	03-18-86	2,000,000	Approved
Moore County	03-25-86	12,000,000	Approved
Duplin County	05-06-86	10,000,000	
Wilson County	05-06-86	15,000,000	
Caldwell County	06-03-86	8,500,000	

Note: Since the enactment of the one-half cent local option sales tax, 14 out of 20 local bond issues have been approved. These local bond issues have provided 213.0 million new dollars for school construction.

LEGISLATIVE RECOMMENDATIONS OF THE TRANSPORTATION TASK FORCE

The following is a description of the legislation being drafted for consideration by the North Carolina General Assembly in response to recommendations made by the Transportation Task Force, March, 1986. With the exception of the last two items, all the proposed legislation is permissive.

- Coordination of Planning Efforts

This legislation will insure that the thoroughfare planning done pursuant to Chapter 136 of the General Statutes is coordinated with the subdivision and zoning regulations of local governments which are implemented under Chapters 153A and 160A of the General Statutes.

- Building Setback Lines

This legislation will allow local governments to apply setback regulations to buildings and permanent facilities such as off-street parking. These setback lines will be measured from the center line of the street or from the right-of-way line; and these regulations may or may not be part of local zoning ordinances. G.S. 160A-306 grants to cities some of this authority. It is proposed, however, that this section of the General Statutes be moved into Article 19 Chapter 160A of the General Statutes so that cities can use this legislation in their extraterritorial planning jurisdictions, which are frequently the most rapidly developing urban area and the area of highest roadway construction. A corresponding statute will be added for counties in Chapter 153A.

- Driveway Permit Process

This legislation will allow local governments to condition some driveway permits on adequacy of existing roadway facilities such as acceleration and deceleration lanes. As in the setback law above, this proposed legislation will expand existing law (160A-307), relocate this law to Article 19 Chapter 160A, and develop a corresponding law for counties.

• Official Map Act

Official map acts reserve roadway corridors for a specified period of time. During this period, buildings and permanent improvements and subdivisions are either prevented or discounted in the valuation process during public acquisition. For over twenty years, a majority of the states have had an official map act. North Carolina does not. The General Assembly has enacted local official map acts for Wilson, Session Laws 1971, Chapter 7; Charlotte, Session Laws 1967, Chapter 719; Winston-Salem/Forsyth, Session Laws 1947, Chapter 667 §11; and Durham, Pvt. Laws 1927, Chapter 156, however.

Subject to further analysis of the very restrictive court cases on this topic, it is envisioned that the proposed legislation will:

- (a) follow the Florida statute and allow protection of roadway corridors without first requiring detailed engineering designs for these protected corridors;
- (b) require protected corridors appear on the thoroughfare plan and upon either the state's transportation improvement plan or on a local capital improvements plan of similar duration;
- (c) reserve protected corridors for a period of no more than three years, this period to begin with submittal of a formal application for development by an affected property owner;
- (d) allow the state or local governments to establish protected corridors;
- (e) contain procedural safeguards such as a public hearing prior to adoption of any official map act; recordation of the official map with the county register of deeds; an appeal procedure to assist property owners from undue hardships; and protection of vested rights;

Transportation Task Force Recommendations
Page Three

- (f) provide for both local property tax relief on lands reserved for rights-of-way and authorize a state income tax deduction equal to the local property tax relieved.

Consideration should be given to establishing disincentives or sanctions against governments which protect corridors but never acquire the rights-of-way.

- Transfer of Development Rights

This legislation will allow cities and counties to transfer development rights such as density and floor area ratios on-site and off-site. Off-site transfers are needed because the residual property left after removal of the right-of-way may be insufficient to support or market the transferred development rights. Transfer of development rights has been gaining acceptance by the courts. It can be used for a variety of preservation purposes such as historic preservation, right-of-way preservation, watershed protection, scenic vista protection and prime agricultural land preservation.

- Fees in Lieu of Subdivision Improvements

This legislation will allow cities and counties to accept fees in lieu of any actual subdivision improvements. Presently, G.S. 153A-331 allows counties to make this substitution for recreational land. This proposed law will give local governments more flexibility in the subdivision process so that they can: (1) avoid improvements that may have to be torn up by foreseeable road projects, (2) provide for continuity of street improvements as in the case of stream crossings when the property line is the center line of the stream such that construction of half a bridge is not practical, and (3) make limited off-site improvements where such off-site improvements would better serve the subdivision than on-site subdivision improvements. The proposed law will contain language to insure that funds are spent to benefit the residents and occupants of the subdivision.

- Withdrawal of Dedicated Rights-of-Way

G.S. 136-96 gives dedicators the unrestricted right to withdraw dedications they made if such dedications are not accepted by the government within fifteen years. This legislation will place restrictions on this right to withdraw. It is proposed that the city or county be required to consent to the withdrawal of any dedicated right-of-way if such right-of-way is part of the adopted thoroughfare plan required by Chapter 136. To implement this limitation, it will be necessary to require the city or county to certify on all right-of-way withdrawals that such right-of-way is not part of the adopted thoroughfare plan.

- Early Condemnation

This legislation will clarify general law, Chapters 40A and 136, to allow public acquisition of land even if construction is not yet adequately programmed provided such acquisition is consistent with an adopted long range plan. There are court cases that suggest this practice is unlawful. e.g. State v. 0.62033 Acres of Land in Christina Hundred 10 Terry, 174, 110 A. 2d 1 (1954)

INFRASTRUCTURE NEEDS

4-86
PVA

1. According to the Facilities Inventory and Utilization Study (published annually by the N. C. State Commission on Higher Education Facilities, University of N. C.--General Administration) , the Department of Community Colleges (DCC) has, as of Fall 1984, 9,700,413 gross square feet of space with a replacement value of over 557 million dollars (\$557,202,112).
2. The Facilities Inventory and Utilization Study estimates that to bring all the DCC facilities up to a satisfactory condition by renovating unsatisfactory facilities and replacing buildings which are designated to be demolished or vacated would take over 14 million dollars (\$14,469,943). This is based on the institution's own 1984 assessment of their building's condition and includes 175,329 gross square feet scheduled to be demolished or terminated.
3. The DCC surveyed the 58 institutions as to their long-range capital improvement needs for 1985-90. The results are:

A. New Capital Improvement Needs:

<u>Year</u>	<u>Square Feet</u>	<u>Local Funds</u>	<u>State Funds</u>	<u>Total Funds</u>
1985	1,718,826	\$ 36,388,921	\$ 75,592,541	\$111,981,462
1986	627,037	13,781,784	36,844,466	50,626,250
1987	704,737	18,886,808	27,291,078	46,177,886
1988	655,941	18,315,639	26,850,758	45,166,397
1989	640,101	19,958,767	25,865,767	45,824,534
Total	4,346,642	\$107,331,919	\$192,444,610	\$299,776,529

B. Renovation Needs:

<u>Year</u>	<u>Local Funds</u>	<u>State Funds</u>	<u>Total</u>
1985	\$ 452,300	\$1,300,900	\$ 1,753,200
1986	2,220,877	2,636,000	4,856,877
1987	885,362	1,747,512	2,632,874
1988	250,000	875,000	1,125,000
1989	1,993,486	2,305,074	4,298,560
Total	\$5,802,025	\$8,864,486	\$14,666,511

4. Capital Funds expended or obligated through June 30, 1985 for buildings and land total \$346,978,783 and are composed of 57% (\$198,618,964) from local sources, 28% (\$97,939,401) from state and vocational-education (vo-ed) sources and 15% (\$50,420,418) from other federal sources.
5. Local funds expended or obligated exceed state and vo-ed funds by 29% or \$100,679,563, thus state and vo-ed funds are more than matched by local funds. This explains why each new state dollar may not generate a new local dollar.

6. The overall dollar-for-dollar local match required by state law also has the effect of requiring local participation and making the local government aware of the future maintenance obligations of the county.
7. Our 58 main campuses are currently served by either municipal water or sewer service or have their own wells and sewage treatment plants. When possible, the colleges will tie into future municipal systems. New satellite campuses will have their own new requirements.
8. Roads to existing campuses, for the most part, are adequate and each college is working with their local government to continue to provide for their access needs as campuses expand. Obviously, new satellite campuses will require new roads and must be planned by each college and the respective transportation office.

The University of North Carolina
SUMMARY OF FACILITY NEEDS BY INSTITUTIONS AND BY CATEGORIES

Institution	Repairs, Renovations and Conversions of Existing Facilities			Architectural Barrier Removal and Accessibility Safety and Health Act Projects			Utilities, Power, and Grounds			Educational Scientific Equipment			New Facilities and Major Additions			Central Heating Plant Replacement & Additions			Total		
	Appropriations		Self-Liquidating	Appropriations		Total	Appropriations		Total	Appropriations		Total	Appropriations		Total	Appropriations		Total	Appropriations		Total
ASU	\$ 3,374,000	\$ 2,137,000	\$ 5,514,000	\$ 739,000	\$ 423,000	\$ 1,162,000	\$ 15,732,000	\$ 2,322,000	\$ 2,322,000	\$ 2,322,000	\$ 2,322,000	\$ 2,322,000	\$ 25,800,000	\$ 5,238,000	\$ 31,118,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 56,607,000	\$ 7,793,000	\$ 64,400,000
ECU	14,162,000	5,802,000	20,564,000	653,000	464,000	1,117,000	10,398,000	5,150,000	5,150,000	5,150,000	5,150,000	5,150,000	58,268,000	5,689,000	63,957,000	9,000,000	9,000,000	9,000,000	98,231,000	11,955,000	110,186,000
ECSU	1,644,000	1,320,000	2,964,000	197,000	106,000	303,000	2,184,000	407,000	407,000	407,000	407,000	407,000	11,953,000	-	11,953,000	-	-	-	16,165,000	1,426,000	17,591,000
FSU	2,035,000	1,372,000	3,407,000	222,000	110,000	332,000	2,372,000	718,000	718,000	718,000	718,000	718,000	38,409,000	1,640,000	40,049,000	-	-	-	43,758,000	3,122,000	46,880,000
MAATSU	6,770,000	2,903,000	9,673,000	600,000	232,000	832,000	6,076,000	3,036,000	3,036,000	3,036,000	3,036,000	3,036,000	23,841,000	-	23,841,000	6,000,000	6,000,000	6,000,000	46,083,000	3,135,000	49,218,000
NCU	1,972,000	981,000	2,953,000	413,000	206,000	619,000	4,431,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	9,479,000	-	9,479,000	3,000,000	3,000,000	3,000,000	20,470,000	1,187,000	21,657,000
NCSA	5,506,000	627,000	6,133,000	154,000	50,000	204,000	1,462,000	136,000	136,000	136,000	136,000	136,000	-	-	3,761,000	-	-	-	7,238,000	4,438,000	11,676,000
NCU	53,453,000	12,938,000	66,391,000	11,407,000	1,035,000	12,442,000	30,713,000	31,500,000	31,500,000	31,500,000	31,500,000	31,500,000	22,199,000	30,196,000	52,395,000	30,000,000	30,000,000	30,000,000	179,272,000	64,189,000	223,461,000
PSU	1,381,000	936,000	2,317,000	203,000	75,000	278,000	1,990,000	562,000	562,000	562,000	562,000	562,000	5,060,000	-	5,060,000	-	-	-	9,216,000	1,011,000	10,227,000
UNC-A	2,493,000	667,000	3,160,000	166,000	53,000	219,000	1,963,000	563,000	563,000	563,000	563,000	563,000	18,023,000	8,246,000	26,269,000	-	-	-	23,210,000	8,966,000	32,176,000
UNC-CN	32,592,000	15,380,000	47,972,000	7,638,000	1,231,000	8,869,000	31,945,000	32,700,000	32,700,000	32,700,000	32,700,000	32,700,000	147,985,000	75,000,000	222,985,000	96,000,000	96,000,000	96,000,000	348,860,000	91,621,000	440,481,000
UNC-L	3,276,000	1,839,000	5,115,000	567,000	307,000	874,000	6,118,000	4,103,000	4,103,000	4,103,000	4,103,000	4,103,000	36,090,000	7,000,000	43,090,000	5,000,000	5,000,000	5,000,000	55,134,000	9,146,000	64,280,000
UNC-C	24,861,000	4,659,000	29,520,000	4,277,000	373,000	4,650,000	8,108,000	2,386,000	2,386,000	2,386,000	2,386,000	2,386,000	18,038,000	23,782,000	41,820,000	8,000,000	8,000,000	8,000,000	65,670,000	28,814,000	94,484,000
UNC-W	869,000	339,000	1,208,000	471,000	125,000	596,000	3,141,000	1,436,000	1,436,000	1,436,000	1,436,000	1,436,000	6,476,000	17,473,000	23,949,000	-	-	-	12,373,000	17,937,000	30,310,000
WCU	6,841,000	4,117,000	10,958,000	564,000	329,000	893,000	6,396,000	1,455,000	1,455,000	1,455,000	1,455,000	1,455,000	6,396,000	-	6,396,000	6,000,000	6,000,000	6,000,000	29,652,000	4,446,000	34,098,000
WSSU	3,503,000	1,183,000	4,686,000	730,000	95,000	825,000	5,201,000	601,000	601,000	601,000	601,000	601,000	10,724,000	-	10,724,000	2,000,000	2,000,000	2,000,000	22,759,000	1,278,000	24,037,000
SUBTOTAL	\$165,632,000	\$57,205,000	\$222,837,000	\$28,983,000	\$5,214,000	\$34,197,000	\$138,210,000	\$ 88,400,000	\$ 88,400,000	\$ 88,400,000	\$ 88,400,000	\$ 88,400,000	\$438,641,000	\$178,025,000	\$616,666,000	\$175,000,000	\$175,000,000	\$175,000,000	\$1,034,866,000	\$240,444,000	\$1,275,310,000
UNC-CPT	14,674,000	900	15,574,000	30,000	-	30,000	623,000	12,560,000*	12,560,000	12,560,000	12,560,000	12,560,000	7,970,000	-	7,970,000	-	-	-	35,807,000	900,000	36,707,000
NCW	13,032,000	-	13,032,000	435,000	-	435,000	3,115,000	N/A	N/A	N/A	N/A	N/A	51,567,000	4,206,000	61,773,000	-	-	-	74,149,000	4,206,000	78,355,000
UNC-CA	1,876,000	-	1,876,000	72,000	-	72,000	500,000	-	-	-	-	-	-	400,000	400,000	-	-	-	2,398,000	400,000	2,798,000
TOTAL	\$195,114,000	\$58,105,000	\$253,219,000	\$29,570,000	\$5,214,000	\$34,734,000	\$142,448,000	\$100,960,000	\$100,960,000	\$100,960,000	\$100,960,000	\$100,960,000	\$504,178,000	\$182,631,000	\$686,809,000	\$175,000,000	\$175,000,000	\$175,000,000	\$1,147,220,000	\$245,930,000	\$1,393,150,000

*Television Equipment

| J |

PROPOSED TRANSPORTATION TRUST FUND PROGRAM
HIGHWAYS, AVIATION, RAIL AND PUBLIC TRANSPORTATION

Introduction

The objective of the proposed Program is to establish a transportation trust fund from which a more stable and predictable source of revenue can be achieved for transportation improvement purposes. The Transportation Trust Fund will have four components or accounts. The Highway Account will provide funding supplemental to the existing Transportation Improvement Program and provide a method for the State and local units of government to provide or accelerate needed highway construction projects. The Rail, Aviation, and Public Transportation accounts will provide a more stable and predictable source of revenue, allowing for long-range planning and programming of projects.

The authorization and implementation of the Proposed Transportation Trust Fund Program will require the enactment of enabling legislation by the General Assembly.

Basic Principles - Highways

The following basic principles will form the framework for the proposed Highway portion of the Program:

- * the Highway Fund will continue to function as the primary source of funds for matching Federal funds for construction of new roads and highways, normal maintenance and operation, and the cost of administration.
- * the Highway Account of the proposed Transportation Trust Fund will provide
 - * supplemental funding to the Department of Transportation for the construction of highway projects in order to correct any inequities in distribution of construction funds from the federal-aid construction program and to maintain a uniform required level of construction.
 - * supplemental funding to the Department of Transportation for right of way acquisition.
 - * on a revolving or reimbursement basis, loans or advances to units of local government to supplement the State construction of projects and the acquisition of rights of way by the Department of Transportation.
 - * a supplemental source of payment of debt service on the State's Highway Bonds.

Basic Principles - Aviation

The following basic principles will form the framework for the proposed Aviation portion of the program:

- * there will be created in the Transportation Trust Fund an aviation account.
- * the Aviation Account will provide the sole source of State funding for aviation purposes.
- * the Aviation Account will provide a stable and predictable funding source which will replace annual appropriations from the General Fund.

Basic Principles - Rail

The following basic principles will form the framework for the proposed Rail portion of the program:

- * there will be created in the Transportation Trust Fund a Rail Account.
- * the Rail Account will provide the sole source of State funding for rail purposes.
- * the Rail Account will provide a stable and predictable funding source which will replace annual appropriations from the General Fund.
- * the Rail Account will help to compensate for the reduction in the amounts of Federal Funds heretofore provided to railroads for branchline service.

Basic Principles - Public Transportation

The following basic principles will form the framework for the proposed Public Transportation portion of the program:

- * there will be created in the Transportation Trust Fund a Public Transportation Account.
- * the Public Transportation Account will provide the sole source of State funding for public transportation purposes.
- * the Public Transportation Account will provide a stable and predictable funding source which will replace annual appropriations from the General Fund.

Funding of Highway Account

It is proposed that 7% of the annual gross revenue of the Highway Fund be transferred to the Highway Account. Within 30 days after the end of each calendar quarter, 7% of the revenues deposited into the Highway Fund during the preceding quarter would be transferred from the Highway Fund to the Highway Account.

It is further proposed that the 7% transfer may be increased or decreased by the General Assembly provided that any decrease would not breach any contractual obligation made by the Department of Transportation with respect to moneys on hand or to be received as part of the 7% transfer to the Highway Account.

The General Assembly would always have the right, of course, to make discretionary transfers to the Highway Account such as, for example, the proceeds of State highway bonds.

There would also be deposited to the Highway Account any moneys repaid by units of local government for loans or advances made from the Highway Account.

Funding of Aviation Account

It is proposed that an amount equal to the greater of \$3,500,000 or 100% of the State's total sales and use taxes paid by the aviation industry in North Carolina be transferred each year from the General Fund to the Aviation Account.

It is further proposed that the amount on deposit in the Aviation Account at the end of each fiscal year, after providing for outstanding obligations, in excess of one year's accural of dedicated revenue, be reverted to the General Fund within 30 days after the end of the fiscal year.

Funding of Rail Account

It is proposed that an amount equal to the greater of \$200,000 or 100% of the annual dividends from the North Carolina Railroad stock be transferred each year from the General Fund to the Rail Account.

It is further proposed that the amount on deposit in the Rail Account at the end of each fiscal year, after providing for outstanding obligations, in excess of \$500,000, be reverted to the General Fund within 30 days after the end of the fiscal year.

Funding of Public Transportation Account

It is proposed that an amount equal to the greater of \$1,600,000, or the proceeds of an allocation of 50 cents from each annual motor vehicle registration renewal, be transferred each year to the Public Transportation Account.

It is further proposed that the amount on deposit in the Public Transportation Account at the end of each fiscal year, after providing for outstanding obligations, in excess of one year's cash flow be reverted to the Highway Fund within 30 days after the end of the fiscal year.

Uses of Highway Account Funds

Moneys on deposit in the Highway Account may be used for the following purposes:

- * to supplement funds then available to the Department of Transportation for the construction of projects and the acquisition of rights of way.
- * to supplement existing construction programs in order to maintain dependable, steady levels of funding and equitable per capita distribution of highway construction program expenditures over extended periods of time.
- * to make loans or advances to units of local government to supplement the construction of projects and the acquisition of rights of way, any such loans or advances to be made on a revolving or reimbursement basis; to assure, to the extent possible, the reimbursement of any such moneys from any funds available.
- * to pay debt service on outstanding State highway bonds.

Uses of Aviation Account Funds

Moneys on deposit in the Aviation Account may be used for the following purposes:

- * to supplement or provide matching contribution to federal and local funds for airport construction, nav aids and airport access
- * funding of projects having financing requirements longer than one year
- * programs at both second-tier commercial and general aviation airports.

Uses of Rail Account Funds

Moneys on deposit in the Rail Account may be used for the following purposes:

- * to supplement or match federal, local or private funds for rail freight service through abandonments.

Uses of Public Transportation Funds

Moneys on deposit in the Public Transportation Account may be used for the following purposes:

- * to supplement or match federal, local, or private funds for public transportation programs.

Administration of Transportation Trust Fund

The Transportation Trust Fund will be established in the Department of the State Treasurer and administered by the State Treasurer in his fiduciary capacity. Need and justification for projects to be determined by NCDOT based on criteria to be defined in the enabling act. Financial capacity of fund and applicant to be determined by State Treasurer.

Limitations - total obligations undertaken not to exceed \$200 million in any one fiscal year, nor \$1.5 billion total obligations outstanding.

INFRASTRUCTURE FINANCING IN NORTH CAROLINA:
WASTEWATER TREATMENT, WATER SUPPLY, AND
SOLID WASTE MANAGEMENT

NORTH CAROLINA DEPARTMENT OF NATURAL RESOURCES
AND COMMUNITY DEVELOPMENT

MARCH 19, 1986

OVERVIEW

"Infrastructure" financing is one of the most important environmental and economic issues facing North Carolina today. Many communities are unable to meet federal and state clean water requirements because of inadequate wastewater treatment facilities. An increasing number of drinking water emergencies endanger public health. Improper solid waste management, threatening groundwater contamination, is a growing problem for communities.

The 1984 EPA Needs Survey, the best available estimate of the costs associated with wastewater construction projects in North Carolina, indicates an investment of \$1.037 billion in wastewater treatment facilities is necessary to bring our existing facilities into compliance with water quality standards. Wastewater treatment needs are estimated to rise to \$1.5 billion to serve the state's projected population for the year 2000. It should be noted that these costs are for conventional treatment only and do not include the additional treatment required to remove toxic chemicals or nutrients.

At the present time more than 100 communities are under a moratorium restricting new development. Many small communities have had to turn away badly needed housing or business because of insufficient wastewater treatment or water supply systems.

Comprehensive estimates of water supply and solid waste management needs are not available at this time. However, emergency situations related to these pressing needs are becoming a more frequent problem. These interrelated issues of public health and water quality protection, and economic growth and development are of paramount concern to the state.

Recent years have brought significant decreases in financial assistance available to local governments for water supply and wastewater treatment projects. Projections of continued growth in population and employment, and the need to protect and improve water quality throughout the state, requires a major state initiative. At hand is the opportunity to forge a new partnership between state and local government units, one which will yield greater self-sufficiency for localities while providing them with a new degree of stability and availability in sources of financing for wastewater treatment, water supply, and solid waste management facilities.

PROPOSED PROGRAM

It is proposed that a permanent state revolving loan fund be established for water, sewer and solid waste management needs, as well as a small grant program to cover the excess costs of certain high cost wastewater treatment projects.

The revolving loan fund will be capitalized with a \$ 57 million annual state appropriation, and will also allow the state to make full use of any federal funds offered. Loans will be made from the fund to local governments, at a lower than market interest rate, for up to 100% of project costs. Repayments of principal plus interest will be returned to the permanent revolving fund, becoming available for new loans.

An additional \$ 3 million annually will be used for grants to projects defined as "high-cost", that is, those which would generate average user fees greater than 1 1/2 % of median household income in the community. The grants would be made for the excess amount only.

Federal legislation now pending in Congress will phase out the wastewater treatment construction grants program. Appendix A discusses the Senate, House and Administration proposals currently being debated. All three proposals phase out grant funds entirely over the next several years. The Congressional bills encourage the establishment of state revolving loan funds, and make some or all of a state's allocation available for this purpose into the early 1990's.

PROGRAM COMPONENTS

Loans and grants will be made only to local government units. The total cost to the state of the proposed program will be \$ 60 million per year, allocated as follows.

<u>COMPONENT</u>	<u>ANNUAL STATE COST</u> <u>(\$ MILLIONS)</u>
I. Revolving loan fund:	
1. Wastewater treatment loans	\$ 38
2. Water supply loans	12
3. Solid waste management loans	3
4. Set-aside for wastewater treatment and water supply loans specifically for economic development	3
5. Set-aside for emergency wastewater treatment and water supply loans	1

Subtotal - State Revolving Loan Fund:	\$ 57
II. Grants to reduce excess costs of "high-cost" wastewater treatment projects	\$ 3

TOTAL ANNUAL STATE COST:	\$ 60

EXPLANATION OF REVOLVING LOAN

Figures B-1 and B-2 in Appendix B illustrate how funds will build up in a revolving loan fund from annual state contributions plus repayments. The example assumes that loans are made for 20 years at 5% annual interest rate and are repaid by local governments with level annual repayments beginning in the year after the loan is made. Administrative costs, inflation, and interest earned on unloaned funds are not considered. All repayments made in a year are added to the fund and become available, together with any new state or federal contributions, for new loans.

Level annual contributions are made by the state into the fund for 10 years. Beginning in the eleventh year, state contributions drop to zero, but the fund continues to receive repayments and make new loans. The fund is thus established as a permanent source of loans for new projects.

It is proposed that interest be charged on the loans made from the revolving loan fund in order to provide growth to the fund and to offset inflation. The rate charged would be below that available to even the largest communities in the financial markets.

Potential federal contributions to the fund are not included in Figures B-1 and B-2. However, any such additional contributions will clearly cause the fund to grow more quickly and finance more projects sooner.

Figure B-1 depicts the total revolving loan fund for all types of loans - water, sewer, and solid waste management - with state contributions of \$ 57 million per year for 10 years. Loans made from the fund over 10 years total \$ 822.2 million, with \$ 570 million coming from state contributions and \$ 252.2 million from payments of principal plus interest. Note that although state contributions drop to zero in fiscal year 1997, the fund receives \$ 65.1 million in that year from loan payments alone, and continues to grow in the following years.

Figure B-2 shows the portion of the total revolving loan fund dedicated to wastewater treatment loans alone (not including the set-asides for economic development and emergencies, a portion of which may go to wastewater treatment projects). State contributions to this portion of the fund are \$ 38 million per year for 10 years. Loans made from the fund over 10 years for wastewater treatment total \$ 548.4 million, with \$ 380 million coming from state contributions and \$ 168.4 million from payments of principal plus interest. Again, note that state contributions drop to zero in fiscal year 1997 but the fund receives \$ 43.4 in that year from loan payments alone, and continues to grow in the following years.

By the year 2000, funds committed to wastewater treatment projects will total over \$ 774 million, from the state revolving loan fund and grant program plus other sources. This represents a substantial contribution to clearing up the backlog of wastewater treatment needs in North Carolina, demonstrating the state's commitment to ensuring protection and improvement of water quality and continued healthy economic development.

ADVANTAGES OF THE PROGRAM

The revolving loan fund was chosen to play the major role in this program for a number of reasons.

- o A much larger number of projects can be financed with a minimal outlay of state funds.
- o Loans encourage cost consciousness on the part of local officials and reinforce the sense that water supply and wastewater treatment are local government responsibilities.
- o Financing a project with a loan that must be repaid requires users of the facility to pay fees more closely reflecting its true costs, thus encouraging conservation.
- o Local governments will be able to obtain a loan for all of the non-federally funded costs of a project from one source. Smaller communities unable to borrow at all in the financial markets due to the size of their bond issue will especially benefit from the this aspect of the program.
- o All communities will benefit from the below market interest rate contemplated in the program. In general, smaller communities will benefit from this more than large communities because large communities are generally able to borrow at lower rates in the financial markets.
- o Due to the permanent nature of the revolving loan fund, the proposed program will feature a long-term predictability of funding sources that has been lacking in the past.

The component of the program providing grants to high-cost projects is included in recognition of the fact that there are substantial economies of scale in larger treatment plants. As a result, the cost of a thousand gallons of treatment capacity may be ten times greater in a small community than in a major urban area. For this reason, an upper threshold is identified above which users will not be expected to fully finance construction of facilities required to meet water quality standards.

KEY FEATURES OF THE PROGRAM

The proposed program has several additional features and built-in safeguards.

- o An upper limit or "cap" will be placed on the size of grants and loans to any one project. A cap on grants of \$1 million, and an annual cap of \$10 million on loans, are suggested as appropriate. This will help insure that communities that are less likely to be able to borrow independently in the financial markets due to small project size will receive funds.
- o If a project is receiving federal funds, a state loan will be made only for the non-federal share.
- o Eligibility of a wastewater project for a grant will be determined by comparing estimated average household user fees (for debt service and operation and maintenance costs) to 1 1/2% of the median household income in the county in which the project is located. Those projects which would generate user fees greater than 1 1/2% of the median household income are defined as "high-cost" projects and will be eligible for a grant equal to the excess amount. This grant will be applied to construction costs. Each year \$3 million in grants will be made to projects defined under this rule as "high-cost" projects.
- o Capital improvements, planning and budgeting assistance will be an important element of the program, with special attention to water supply and wastewater treatment needs. Planning improves coordination among levels of government and helps public officials think through complex economic development and finance issues.
- o Few citizens are aware of the dramatic effect conservation can have on demand for the resource. Establishing user fees more closely reflecting the costs of service will encourage conservation.

- o The Local Government Commission, under its existing statutory authority, will review each loan application to determine the local government's ability to repay. The Commission also has the authority to require local governments to set rate structures adequate to repay the loan and to keep pace with inflation.
- o The state will make the loans by buying the general obligation bonds, or revenue bonds, of the local community. This method helps insure the repayment of the loan, as well as increasing the interest of the local community in seeing that project costs are kept down and user fees are sufficient to repay the loan.
- o All wastewater treatment projects will be reviewed by the Division of Environmental Management. The division will review each project for engineering soundness, cost effectiveness, and adequacy to meet local needs, with no more than 20% reserve capacity. This will be a thorough value determination review to prevent the state from incurring unnecessary costs. The Division will monitor the project throughout the construction phase, and continue monitoring to insure that it is properly operated and maintained.
- o For grant eligibility the local government will be required to demonstrate that tie-in to a regional wastewater treatment facility is not technically feasible or that participation in a regional system would not be cost effective.
- o Projects under consideration for a grant will be required to submit for the Division of Environmental Management's approval a plan for the professional operation and maintenance of the proposed plant. Once construction of the project is complete, if the plant fails to comply with water quality standards specified in the facility's NPDES permit due to improper operation and maintenance, the local government will be liable for repayment of the grant.
- o Costs eligible for a wastewater treatment loan or grant will include treatment facilities, interceptor sewers, pumping stations and force mains, and reasonable design and engineering fees. Collection systems would be eligible only in the event of a severe public health hazard certified by the Division of Health Services of the Department of Human Resources, for example, where septic tanks are failing and cannot be remedied. Loans and grants will not be made for facilities designed for more than 20% excess capacity.

APPENDIX A

ANTICIPATED FEDERAL LEGISLATION

Reauthorization of the Federal Clean Water Act, which expired September 30, 1985, is currently pending in Congress. Three different versions have been offered, by the Senate, House, and Administration. The Administration version would phase out the construction grants program entirely by 1989. The Senate and House versions allocate a larger amount of funds, and phase out the grants program by 1990. Reduced funding would be available under both versions through 1994, for contribution to a state revolving loan fund only.

The final form the reauthorization takes is expected to most closely resemble the proposed Senate version. Figure A shows the funds North Carolina would receive under this version and how they would be allocated between grants and revolving loan funds.

The potential impact of the "Gramm-Rudman" budget cuts is only incorporated for the first year's approximate 4.3% cut. Significantly larger cuts are anticipated in future years.

FIGURE A

PROJECTED FEDERAL WASTEWATER TREATMENT FUNDS FOR NORTH CAROLINA UNDER THE PROPOSED SENATE VERSION OF THE CLEAN WATER ACT REAUTHORIZATION

(\$ MILLIONS)

<u>FISCAL YEAR</u>	<u>GRANTS¹</u>	<u>REVOLVING LOAN FUND²</u>
1986	25 ³	
1987	36	
1988	36	
1989	18	18
1990	18	18
1991		36
1992		27
1993		18
1994		9
(No further funds available after 1994)		

TOTAL	133	126

¹Part or all of these funds may be contributed to revolving loan fund, at state's option

²These funds must be contributed to revolving loan fund

³An additional \$ 11 million has already been received in 1986

APPENDIX B

EXAMPLE OF A REVOLVING LOAN FUND

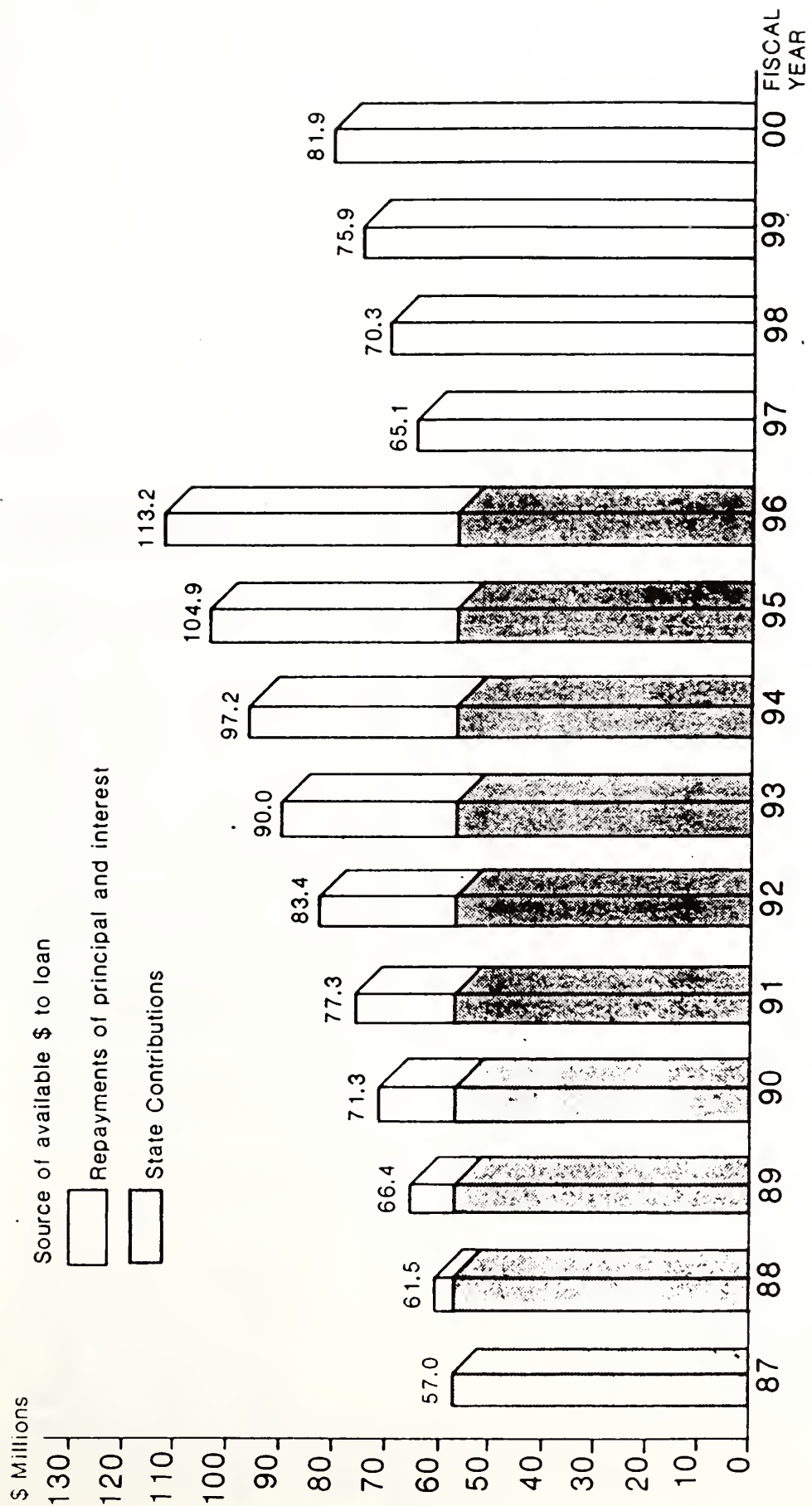


FIGURE B-1
Revolving loan fund for wastewater treatment, water supply and solid waste management

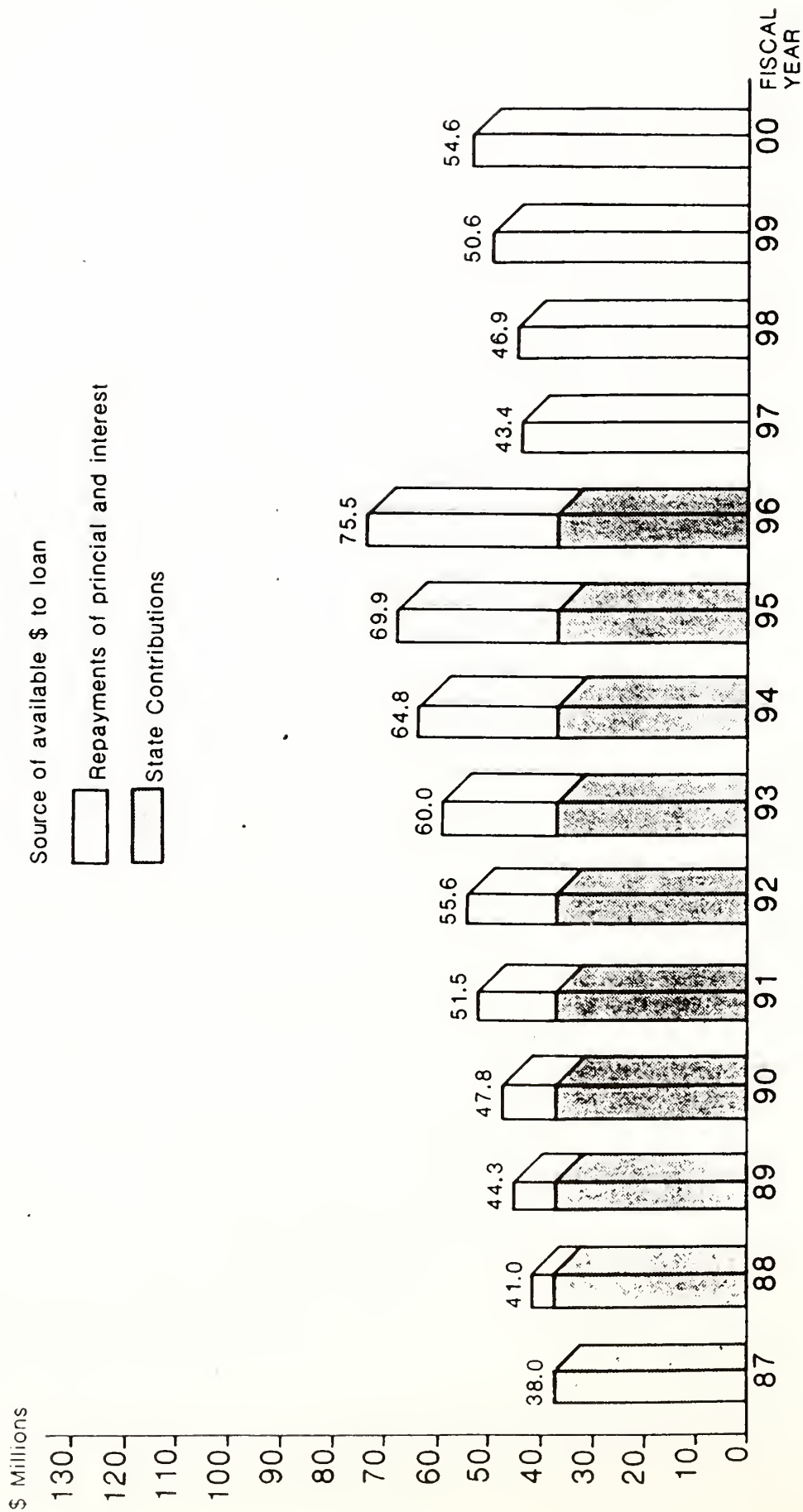


FIGURE B-2
Revolving loan fund for wastewater treatment only

APPENDIX C

BACKGROUND

Prior to the federal Clean Water Acts and the matching grant funds available through the Environmental Protection Agency, the construction and operation of water and wastewater treatment facilities was solely a local government responsibility. Federal regulation brought more stringent water quality standards, requiring larger wastewater treatment investments than might otherwise have been made by local governments. As an incentive to local governments to conform to these higher standards, the federal government, through the EPA Construction Grants program, offered to match local government expenditures on wastewater treatment facilities at a ratio of 75% federal/25% local.

Concurrent with the federal program, the state made grants out of state Clean Water Bond funds to communities receiving a federal grant, for up to half of the non-federal share. This money was entirely depleted by October 1984.

As a result of these programs, local governments have come to expect that most of the costs, up to as much as 87 1/2% of the total, might be financed from outside the community. But now the federal share is declining to below 50%, the future availability of these grants is uncertain, and state matching grants are no longer available. Local governments are faced with paying a substantially larger share of the cost than they had anticipated.

Figure C-1 shows funds received from these federal and state programs for wastewater treatment projects, 1973 - present. Illustrated in Figure C-2 are the changing shares of project costs paid by local, state and federal funds.

A similar pattern has emerged in the financing of water supply. A major difference, however, was the fact that the purpose of federal and state participation was to promote economic development and, in emergency situations, to protect public health. Recent declines in federal funds for water supply -- from the Farmers Home Administration, HUD and EDA -- have paralleled the cut-backs in EPA wastewater treatment funds. In the case of the Farmers Home Administration, which is the most important source of funds for smaller communities, the problem is aggravated by the fact that a declining number of small communities in North Carolina are eligible due to rising per capita incomes.

In 1981, the General Assembly authorized a referendum on a third Clean Water Bond program. However, high interest rates discouraged a referendum in 1981 and 1982. In 1983, the General Assembly rescinded the authorization for the Clean Water Bond referendum and adopted instead an additional 1/2 cent local option sales tax. Municipalities choosing to levy this tax are required to spend 40% of the revenues collected for water supply and wastewater treatment facilities for the first five years, and 30% for the next five years. Counties have no percentage requirement for outlays on water supply or wastewater treatment. The portion of revenues collected from the 1/2 cent sales tax earmarked for water supply and wastewater treatment is projected to be \$150-\$175 million over a ten-year period.

In 1985 an appropriation of \$120 million (\$60 million in each year of the 1985-87 biennium) was established for grants to local governments for support in the construction of water supply and wastewater treatment facilities, allocated 35% for water supply and 65% for wastewater treatment. The money is to be allocated to municipalities and counties on a per capita basis. These funds will be helpful, but the amount is only a small portion of that required to meet the state's needs. As with the 1/2 cent sales tax, the funds are not targeted to projects required for mitigation of urgent water quality needs or public health hazards. In the case of small communities, it would take many years to accumulate sufficient funds to finance their wastewater needs.

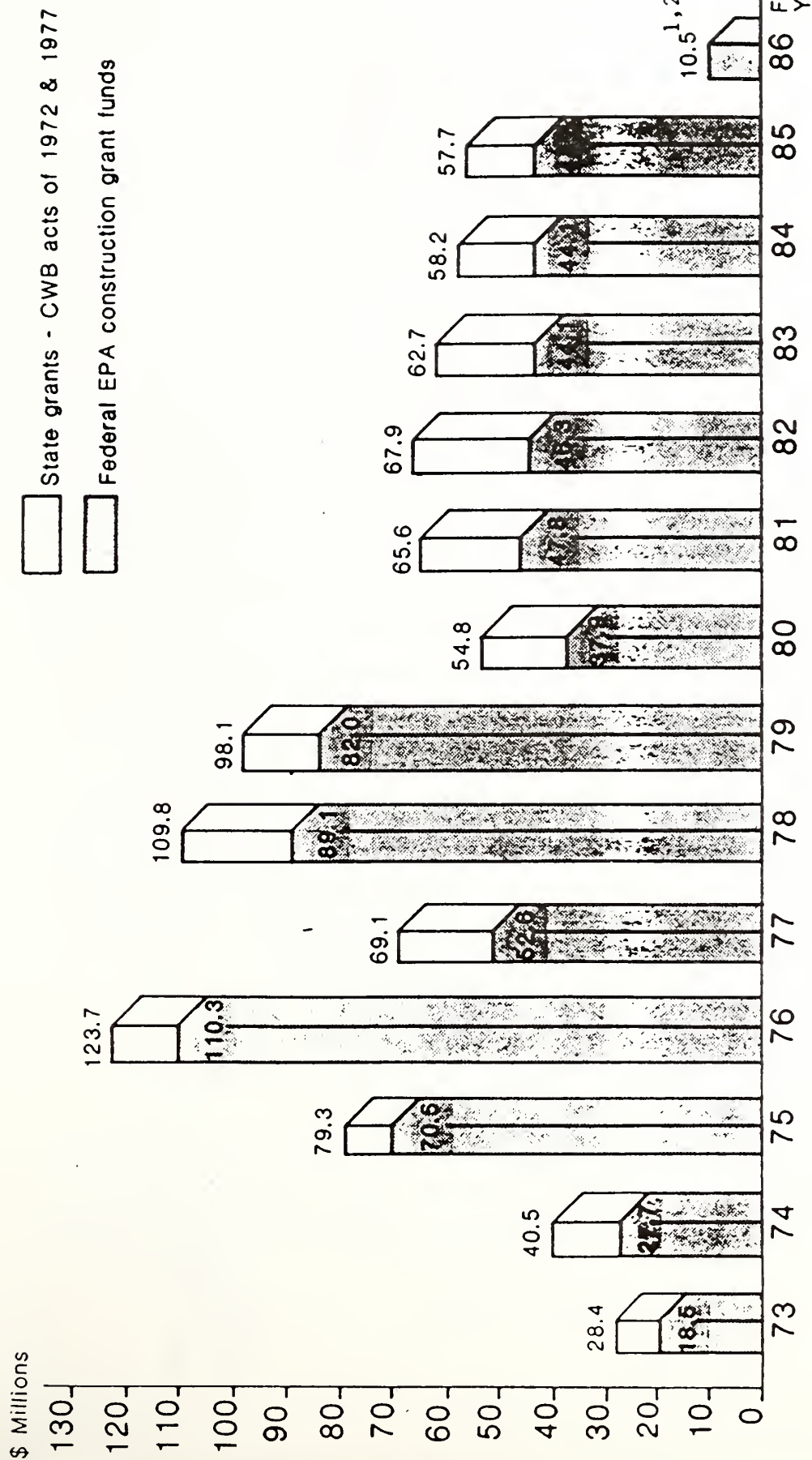


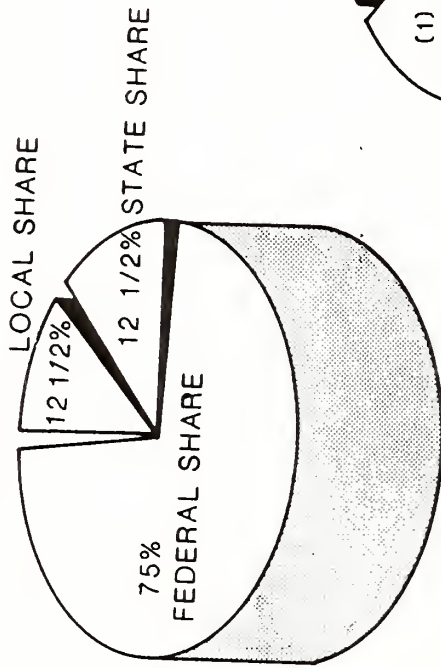
FIGURE C-1

Federal and State grant funds provided for wastewater treatment projects, 1973 - 1986

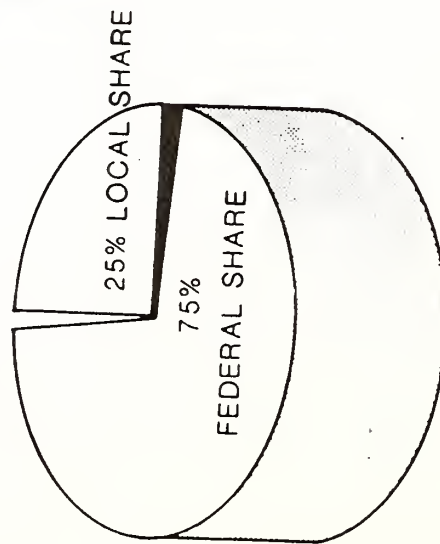
¹ Partial allocation - balance to be authorized by pending Federal legislation

² State grant funds of \$39 million have been authorized, to be distributed on a per-capita basis

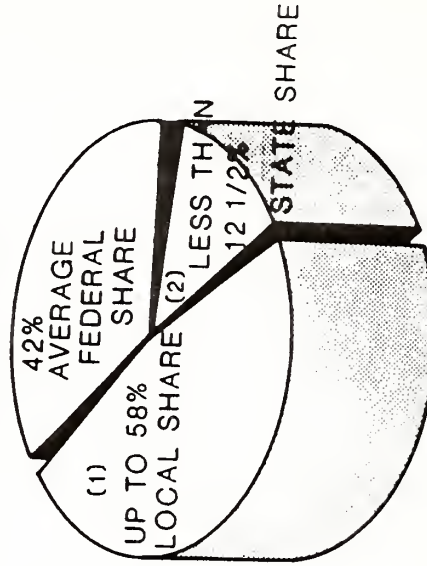
1977 - 84



1972 - 77



1984 - PRESENT



(1) 1/2¢ sales tax and \$78 million wastewater appropriation for 1985-87 can be used to reduce local share

(2) Exact state % cannot be obtained since all funds distributed on per capital basis not used to match federal funds

FIGURE C-2

Comparing % of total project costs paid by Federal, State, and Local Governments for wastewater treatment in recent years

APPENDIX D

PRIORITIZATION OF PROJECTS FOR WASTEWATER TREATMENT LOANS

The revolving loan fund for wastewater treatment projects will be administered similarly to the state Clean Water Bond program. The primary emphasis will be on protection of water quality and the public health, as was true under the Clean Water Bond program. The state may also choose to consider such things as economic growth and development needs, financial need, and readiness to proceed with construction.

Applications for wastewater treatment loans will be ranked quarterly, primarily, according to water quality needs. Loan funds allocated for the quarter will be committed in order of priority to projects on the list. Since the ranking will be among applicants only, there will be no statewide priority list.

The following is a partial list of factors which may be utilized in prioritization of wastewater treatment projects for loans each quarter. No weights are assigned, and it should be noted that these factors and how heavily they are weighted will become regulations only after enabling legislation has been passed and a formal rulemaking and public hearing process, including public hearings, has been completed.

1. Water pollution control needs

Priority considerations would include the classification of receiving waters (shellfish, water supply, bathing, fishing, or agricultural), the degree of treatment required to protect the assigned water quality, and any enforcement orders requiring the construction of wastewater treatment facilities.

2. Service area needs

Priority factors would be assigned to systems designed to serve areas beyond the existing boundaries or for regional or county-wide systems.

3. Financial need of applicant

Priority value would be assigned to applicants according to financial need, based on criteria to be developed in conjunction with the Local Government Commission.

4. Responsibility of Applicant

Priority factors would include the fiscal responsibility of the applicant, and implementation of adequate water conservation practices.

5. Status of Project

Priority factors would include applicant's readiness to proceed, local financing arrangements, and project approval.

